

NOV 20 1946

covered
benefits
considered
The
group
was
pre-
lines
section
s to
otem-

y
e
e
n
f
f
d
e
t

view

The **Management** **REVIEW**



NOVEMBER, 1946

COMMENT • DIGEST • REVIEW

The Buyers Are Taking Over . . .
at

AMA'S MIDWESTERN INSURANCE CONFERENCE

DECEMBER 5-6, 1946

THE DRAKE HOTEL • CHICAGO

The insurance buyers are taking over . . . by popular demand. In their responses to AMA's pre-conference questionnaire, insurance executives repeatedly asked for discussions of buyers' problems by the buyers themselves. And those problems at the moment, we've found, are many. We've picked out the toughest ones and rounded up the buyers who have worked through them and found the solutions.

That's why this conference is *your conference*. It will be devoted entirely to the questions that you may be asking yourself a month from now. But they won't stump *you* if you go West, young man, and bring home the answers.

SOME OF THE HIGHLIGHTS:

THE EFFECT OF PUBLIC LAW 15 ON THE INSURED—What are its implications for the average buyer? This extremely important legislation will be discussed jointly by a buyer and a lawyer of an insuring company.

TRENDS IN GROUP COVERAGE—An expert will analyze recent changes and significant developments in retirement and death benefit plans, hospitalization, group medical care, accident plans, etc.

EDUCATION IN LOSS PREVENTION—A representative of the Philadelphia Electric Company will outline methods that have been found effective in training employees in safety and loss-prevention work.

OPERATING UNDER USE AND OCCUPANCY—This subject will be treated from the buyer's viewpoint, and the discussion will cover the non-technical aspects of U. & O. coverage problems—coverage required by the average company, filing of claims, and adjustment of losses.

CRIME INSURANCE—A detailed consideration of this coverage has been made imperative by the huge losses being incurred following the sharp increases in crime since the war.

INSURABLE VALUES, REPLACEMENTS, AND LOSS ADJUSTMENTS—In this panel session a buyer, assisted by an adjuster, will survey the current outlook.

THE FEATURE SESSION

Here's the Conference highspot! In a special question-and-answer session conducted by Ralph Blanchard of Columbia University you'll hear solutions to all the questions raised in the hundreds of questionnaire letters that AMA sent to buyers. This will be the one spot on the program where representatives of the underwriters will participate. Both buyers and sellers will be on hand to discuss bonding, fire insurance, liability and compensation, and inland marine insurance.

AMERICAN MANAGEMENT ASSOCIATION
330 WEST 42nd STREET, NEW YORK 18, N. Y.

CONTENTS

NOVEMBER, 1946

Volume XXXV

No. 11

Copyright, 1946

American Management Association

Printed in U. S. A.

The Management REVIEW

Partial List of Contents

The Management Index	
Four Things to Watch in the Business Picture	434
<i>Grey Matter</i>	
You Can Do Business with the Government	437
<i>Forbes</i>	
Management and the Housing Headache	439
<i>The Conference Board Management Record</i>	
The Basis of Industrial Conflict	441
By FREDERICK H. HARRISON	
Benefits to Salaried Employees	446
<i>American Business</i>	
A Special Library for Office Employees	448
<i>Office Management and Equipment</i>	
Pre-Planning a Personnel Selection Program	454
<i>Factory Management and Maintenance</i>	
How to Handle Jurisdictional Disputes	457
<i>Facing a Union Drive</i>	
Management's Reactions to Employee Opinion Polls	465
<i>Journal of Applied Psychology</i>	
Improving Maintenance Work	471
<i>Modern Management</i>	
How Long Do Retail and Wholesale Establishments Tend to Survive?	476
<i>Economic (Small Business) Series No. 54</i>	
Investment of Pension Funds	485
<i>Central Hanover Pension Bulletin</i>	
And Others	
Survey of Books for Executives	
Postwar Taxation and Economic Progress	494
Reviewed by Edward H. McDermott	
Building a Sales Training Plan	495
Reviewed by Burton Bigelow	

HOW should the executive in charge of labor relations deal with the "Communist menace" in his organization? How can he distinguish the genuine Communist agitator from the merely militant labor leader? This problem was explored in the August 31 issue of *MANAGEMENT NEWS*, and further suggestions on it are presented in an article from *Forbes* abstracted in this month's *REVIEW*.

Trained in camouflage and subterfuge, the real Communist is difficult to detect. Yet some employers, whose emotional approach to the problem has magnified it out of proportion, are convinced that they "can spot a Red a mile away." Instances of unjustified "Red-baiting"—in which management has not distinguished between the real agitator and the non-Communist union leader seeking maximum benefits for his members—have merely aggravated labor discord. For this reason, considerable caution should be exercised in approaching the Communist issue and in applying such suggestions as those on pages 444-445.

NOW is the time to complete your plans for employee Christmas celebrations. It might be well to vary the holiday program this year instead of adhering to the traditional pattern of activities. Some specific ideas for injecting new spirit into employee Christmas parties are outlined by the Industrial Recreation Association on page 467.

REALIZING that a man without a satisfactory home cannot be as productive on the job as a happily domiciled employee, a number of companies are offering employees assistance in solving the housing headache. The types of help being given are indicated in an abstract of a Conference Board survey report on pages 439-441.

James O. Rice, *Editor*; M. J. Doohar, *Managing Editor*; Alice Smith, *Associate Editor*; Vivienne Marquis and Evelyn Stenson, *Assistant Editors*.

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York 18, N. Y., at fifty cents per copy or five dollars per year. Vol. XXXV, No. 11, November, 1946. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

Changes of address should be forwarded to the publishers one month in advance, and postal unit numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

THE MANAGEMENT INDEX

General Management

Four Things to Watch in the Business Picture

THERE are at least four developments on the business horizon today which will demand consideration from most executives. To be watched and pondered are: (1) the inevitable trend toward mergers; (2) the already-in-evidence trend toward vertical combinations; (3) a trend toward a buyer's strike against poor quality rather than against price; and (4) a currently expanding trend toward higher mortality among retailers.

There has been little comment on the increasing tempo of mergers among manufacturers. But if you were to check back on the news reports, you might be quite astounded at the number of mergers that have been effected since V-J Day. The total is larger than for any similar period since the break of 1929.

But this is merely the warming-up stage. As production catches up with demand—and many predictions of five-year shortages are currently being radically disproved—many “bargains,” in the form of plants that can no longer find profitable markets, will be put on the table. There are hundreds of war-baby plants that will be compelled to fold up once the going becomes competitive. There are scores of other over-expanded plants which will have to invite financial aid and wind up in a merger. Strong organizations, with

large assets maintained for just such a purpose, will pick up the desirable offerings. Many of these organizations reason that they will be able to pick up plants in a year or two at figures that will represent from one-quarter to one-half of current reproduction costs.

Of course, there will be other compelling reasons for mergers. For example, the growth of the mass distributor will demand a corresponding growth among producers—weak producers are simply no match for powerful distributors. The trend toward line diversification will also stimulate mergers—in fact, it has probably been the most important factor in mergers during the last year. But, principally, the impelling force will be a return to a buyers' market. As shortages disappear, mergers will rise.

In one industry after another, there are signs that the vertical combination is under serious consideration. It takes various forms, including the obvious form of a raw material producer taking on the manufacture of the end-product in which his basic material is used. It promises, however, to take other forms, such as:

1. A manufacturer of finished merchandise, now sold through wholesale distributors, undertaking to circumvent the wholesaler and selling directly to retailers.
2. A manufacturer of finished merchan-

For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

dise, now sold through retailers, undertaking to open his own factory-owned retail outlets.

3. A manufacturer of finished merchandise "buying up" departments or sections in retail stores.
4. A manufacturer of finished merchandise tying his wholesale distributors so closely to the factory that they are "company run," if not "company owned."
5. A wholesaler, or a group of wholesalers, buying into producing resources, so that the wholesalers actually become manufacturers; and then controlling their retail outlets in such form as the fairly common voluntary chain.
6. A retailer, or a group of retailers, buying into wholesale distributing organizations and/or into resource producers—which is also fairly common.

Don't assume that the initiative in the formation of vertical combinations will rest almost entirely with the manufacturer. It may—as it certainly has already—start with the wholesaler or the retailer, or both. But this much seems certain: There will be a definite trend toward more control by a single organization over all processes involved in the chain from raw material to the retail counter. The trend will assume many forms—some will be outright vertical combinations; others will be vertical combinations in result, but not in form.

However, the outstanding difference between the classical concept of the vertical combination and the postwar concept is that the former embraced only the chain starting with raw material and perhaps ending with the finished product, whereas the latter embraces the distributive stages as part of the combination.

There is much conjecture in business circles about a possible buyers' strike against prices—but it may very well be that the buyers' strike, if and when it comes, will be a strike directed more against unbelievably low quality than against high prices.

This is a point of difference between

the 1920 situation and the 1946 situation that seems to have escaped attention. In 1920, quality had not slumped seriously. Prices had got out of hand and the public eventually decided to do without rather than pay exorbitant prices. But in 1946, not only have prices continued the upward march of five years, but quality has been on the downtrend for five years. In any number of lines of merchandise the word "quality" is simply a misnomer; it simply does not apply any more. About practically any item you pick, it is almost positive that consumers are saying: "Not only has the price gone up to the sky—but the quality is down to the cellar." And even retailers are pointing to incoming shipments and remarking: "Did you ever see such junk—and at such prices?"

As always happens, reputable manufacturers who have done the impossible in the maintenance of quality are the butts of the same accusations as their more numerous brethren who have dropped practically all quality standards. When the public gets the bit in its teeth, it shows no discrimination with respect to whom it runs over. And there is no doubt that the public is getting the bit very firmly in its teeth in this matter of shoddy merchandise. The high level of retail sales, resulting from absolutely necessitous buying plus a plethora of money, plus a shift to higher price ranges by a public desperate for quality, hides the true situation for the time being. But from houses to automobiles, from dresses to suits, more and more people are buying only what they simply cannot do without; are firmly resolving that they will have no dealings with shoddy merchandise. These people have the money to buy, but they don't have the heart to buy.

Retail mortality figures have already

jumped in 1946. This has happened simultaneously with extraordinarily good profit showings by retailers. The explanation, of course, is that many retailers are individuals who opened stores during the last year and who couldn't get merchandise. But the mortality rate among retailers promises to continue to mount. There are simply too many retailers; vastly too many.

The belief is that any number of manufacturers are carrying too many "fringe" distributors. These "fringe" distributors are destined to die in a

few years. Yet manufacturers, who are desperately trying to allocate shipments, are not only signing up this kind of distributor, but even giving him quotas!

Some prominent manufacturers, in fields ranging from cosmetics to rugs, have begun programs designed to confine their lines to better merchants. Even if retail mortality didn't promise to mount, this would be good policy. But with every indication that retailing is overcrowded, the wisdom of such a policy would seem beyond dispute.

Grey Matter, August, 1946, p. 1:3.

Publicity Pointers

THE widespread misconceptions that shape the public's attitudes toward business, as revealed by polls conducted by Opinion Research Corporation and the National Opinion Research Center, clearly indicate management's neglect of its educational responsibilities. Adequate publicizing of its story is a matter of vital importance not only to business in general but to the individual company, which can scarcely expect to be preferred among its competitors unless it uses the potent tool of publicity to gain favor.

Following are some publicity pointers that should help you get your story across. Check up on your own program to see how it measures up to these principles:

1. Getting straight news into print is the easiest part of your job, but a clearly formulated set of objectives is essential. The form and content of your releases should always reflect these objectives.
2. Continuity and sound planning are the basis of any good publicity program. This should include a fixed policy as to frequency of releases, their length, and the public to be addressed.
3. Always provide a complete package, professional to the last detail. Never forget that the success of your job depends on the measure in which you make easier the task of the news agency—reporter, editor, writer.
4. Good copy and consistently dependable facts are your stock-in-trade. Tricks and flashy froth will prove hard to live down.
5. Know your man. Personal contact at frequent intervals with the man who receives your copy is indispensable to building up his confidence in you as a news source.
6. Don't neglect special writers and columnists. In this connection, keep in mind that human interest material and small feature items may be as acceptable as straight news.
7. Check mailing lists regularly. Keep names and addresses up to date; eliminate deadwood. A wrong name on the envelope, though a minor irritant, is likely to suggest that the reporting also is sloppy.
8. Don't neglect the trade press. While not so glamorous as national coverage by wire services, it can be very valuable.
9. Use your field representatives as goodwill ambassadors, and as a means of getting the local "angle" across on minor releases.
10. Investigate the possibilities of opinion polls as a means of determining the soundness of your program.

—Forbes 8/15/46

You Can Do Business with the Government

THE Federal Government, America's largest buyer, will spend huge sums this year to supply its routine physical needs. Items purchased will run the gamut from chewing gum to X-ray machines, from chemicals to plain old-fashioned axe handles. If you have something new or can do something better, there may be a place in this picture for you.

The days when the government's purchasing policy was an unvaried, flat "We're satisfied with present source of supply," is, in most cases, on the way out. Uncle Sam has learned that spreading the business, giving opportunity to new ideas and new customers, pays off at both ends. Today, in fact, there are many cases where the smaller manufacturer actually has the edge.

Nearly a million manufacturers did business with the government during the war. However, the great majority, both big and small, fell into the classification of submanufacturers under prime contractors. Even today, in many cases, continuing this relationship will get the best results. But in thousands of other cases subcontractors are feeling around for a means to deal directly. To this group, who have not dealt *directly* with the government before, a few pointers may be helpful:

1. Consider your line, including alternative products you are set up to manufacture, and then decide which agency might be most interested. Many experienced manufacturers have needlessly wasted time and money by bargaining in with good manufacturing facilities but no clear idea of what they wanted to make or to which agency they wanted to sell.

2. Your prospective purchasing agency is divided into various divi-

sions. Pick the right one for your item and thus eliminate unnecessary confusion. In Maritime, for example, items are suitable for marine operations, ship maintenance and repairs, new construction, land bases or administration. Each has special requirements and specifications. A piece of office machinery suitable for administration is not necessarily suitable for ship maintenance.

3. Test your products in advance for the ultimate use they may be put to when you become an approved vendor. If you're making saws that stand up beautifully in the Oregon woods but don't know how they would weather the tropics, find out. If you don't, the government will, and it prefers to do business with thorough and reliable people.

4. High-pressure methods will get you nowhere. The government is interested only in your product, price, and ability to deliver, and all products are put through extensive tests before purchase orders are final.

5. Don't go rushing down to Washington! Write or wire, establishing your contact with the purchasing office, telling briefly what you can produce and some of your manufacturing background. Contrary to inexperienced opinion, letters and telegrams do get first-hand attention, and, in the preliminary stages, may prevent your being a nuisance.

6. Be very specific about the technical aspects of your product and production facilities. Don't overstate them; don't leave limitations untold. State clearly all quantity, quality, size, design, or engineering limitations.

7. Be sure to abide by the rather dull but necessary forms and reference customs, such as the use of file num-

bers on letters. There's a rather famous case of a manufacturer who spent six months straightening out a purchasing tangle—damning bureaucratic incompetence, of course, before it was discovered that in the chain of letters about the deal his subordinates had used 11 different company letterheads, and written to five entirely separate agencies!

8. Your first, and your chief problem for all time, if you stick by the rules, is to get upon the approved vendors list. This is a list of contractors, manufacturers, and wholesalers who have complied with the proper forms and whom, after investigation, the government believes reliable. There's no hocus-pocus to getting on this list other than establishing the fact that you can actually deliver. In reply to your opening letter of negotiations, you will receive instructions as to how to go about getting on the list. When this is done, you will be notified of opportunities to bid.

9. After a sound contact has been established by mail and phone, a personal visit with the purchasing agent is in order. But don't feel you have to take him out to lunch or dinner. It's all right to cultivate him, but don't try to buy his favor.

10. Extend common courtesy to your government purchasing man. Don't just bounce into town without warning and then go rushing past the receptionist without an appointment. It's a good idea to phone for a definite appointment in advance of your Washington trip.

11. Don't try to talk down competitors. What the buyer wants to know is how good your product is. If it's better than rival products, the report from his technical office will show it, after you've submitted samples.

12. Don't ever try (as many have) to submit samples superior to the product as it will run off the line. Purchases are inspected, and you'll end by losing your market.

13. Try to have a fair idea of your competitors' place in your field. For instance, if you're both on the approved list, but limited in production capacity, there are times when you may pool facilities to bid on an order larger than either of you could deliver individually.

14. Don't use political influence. There are political aspects to government purchasing policies, but not generally at the purchasing level, and the buyers resent having pressure put upon them. Companies having the longest and most satisfactory relations with government purchasing do not have recourse to "politics."

15. Don't argue with the buyer about specifications contained in inquiries. If you can't bid on the specifications presented, say so. If you manufacture a similar item, or can handle other specifications which might serve, place an "alternative bid."

16. Reply to inquiries promptly; and don't bite off more than you can chew. If an extension of bid or delivery time is necessary, don't wait until the day involved to ask for it.

17. The trend seems to be against sealed bids and in favor of negotiation, but the manufacturer who uses this means to try to hedge or bicker about prices runs a risk of losing out to more business-like competitors. Establish the best price possible at the outset. The government is willing to pay a fair price, but it does not like "horse trading."

18. Submit samples and comply with instructions *precisely as called for*, to avoid delay and red tape. Be particu-

larly careful not to bid on items which you aren't absolutely certain you can produce in the complete assembly called for.

19. Shipments should be made strictly in accordance with allocations contained in the purchase order—no more, no less.

20. Finally, and perhaps most important, maintain a forthright, honest, and frank relationship. If you have manufacturing problems or your product has bugs, tell the buyer. He'll probably find out anyway, and he may be able to help you.

BY THOMAS A. GARNER. *Forbes*, September 1, 1946, p. 18:2.

Management and the Housing Headache

WHILE theorists may maintain that housing is a personal and nationwide problem, and not the responsibility of individual employers, shelter has forced itself into the employment picture.

When companies transfer employees from one location to another, many of them feel a measure of responsibility to see that the employee and his family are settled comfortably in their new surroundings. It used to be a question of trying to find a habitation in the new city approximately as satisfactory as the residence left behind. Now that it has become a matter of asking an employee to leave a house or apartment on which he holds a lease or deed to face the disconcerting possibility of not being able to acquire another, management recognizes a situation requiring serious thought and a review of policy.

A little more than four months ago the Continental Can Company took action by adding to its industrial relations staff in New York City a man who, as head of the housing division, was to devote full time to the task of helping the company's employees in that area find places in which to live. He brought real estate experience of more than a dozen years to the job as well as

the contacts with brokers and realtors which that implies.

Advertisements were inserted regularly in four of the metropolitan dailies and also in county newspapers within commuting distance of New York City. Two assistants spend their full time inspecting properties which are submitted in response to the advertisements, and they are empowered to make down payments to hold offerings. Employees visit, on company time, houses or apartments tentatively selected for them. The results, according to the company, have been encouraging. Not much of the housing division's time has been devoted to purchases—employees are interested chiefly in rentals and most of the response from landlords has come from those with rental property.

Of 49 companies with nationwide operations which recently contributed information to the National Industrial Conference Board on what they were doing to help employees with their housing problems, eight were making loans as the down payment on the purchase of a house—one of them, however, only in "extreme cases." One food products company either lends money or takes a second mortgage, with

the borrower paying back a sum each week.

In a chemical manufacturing company, the loans are made under an employee welfare loan plan. While lending money for home purchases is common under this plan, an unusual feature at present, resulting from the current emergency, is that the loans are larger in amount than is normally approved under operation of the program. The company has also extended the time for repayment of the loan from a standard period of one year to as much as three years.

An interesting cooperative venture in the stimulus of private building was inaugurated last fall when six large companies with factories in New Jersey united to see what could be done about obtaining more housing for their employees. A committee, made up of representatives of the six, hired a former assistant director of the Federal Housing Administration to determine, by survey, how many houses were needed. Upon its completion the Federal Housing Administration approved the building of approximately 1,800 houses. One of the companies bought 92 acres of land in Somerville, New Jersey. This land was made available to a building contractor and architectural firm, who formed a home building corporation, for the erection of about 450 houses. The industrial company will be reimbursed for the land as each plot with improvements is sold by the home building corporation to an employee. Sales are restricted to employees who are World War II veterans, unless the houses remain unsold 30 days after completion.

No company of the 49 included in the Conference Board survey guarantees at the time of purchase against any future loss its employees might suffer through buying property at an inflated

value. If a transferred employee owns his own home and sells it in order to buy a house in the new location, with both sale and purchase at inflated value, he would suffer no loss in real value position. And, executives are quick to point out, it would tend to encourage careless investment and saddle a company with ill-defined liability to assure an employee that if later he was unable to realize what he had paid for a property, the company would make up the difference.

When a transferred employee owns his own home, an electrical equipment manufacturing company offers to take it off the employee's hands at a figure determined by the local board of realtors as representing the current value of the property. The employee, of course, is free to sell the property himself, if he so desires. The company does not undertake to compensate for any loss resulting from the sale of the property at a figure lower than the purchase price.

Because costs are considerably higher than they have been in former years and housing is so difficult to obtain, many companies are giving much more thought to transfers than formerly.

"Reasonable" is the adjective used by most of the companies in describing the length of time during which the company will reimburse employees for unusual living expenses due to transfers—a term admittedly allowing for plenty of elasticity in interpretation. In gearing policy to the present-day situation, it is being found practically impossible to lay down a rigid rule as to the length of the period in which the company, for example, will pay hotel expenses at the new location.

Thirty-four of the 49 companies pay all transportation expenses of both em-

employee and family to the new destination in the case of transfer instigated by the company, and 28 of them pay for the cost of moving the family's household goods.

In most instances transfers mean promotions, and an increase in salary takes care, partially at least, of any additional cost of rent as compared with what the employee has had to pay at the former

location. Executives of only three of the 49 companies contributing information stated that they paid any cost-of-living differential, as such, when transferring an employee, and one of the companies is doing it only in certain areas such as in New York City.

By GENEVA SEYBOLD. *The Conference Board Management Record*, July, 1946, p. 229:7.

The Basis of Industrial Conflict*

By FREDERICK H. HARBISON

WHAT are the focal points of conflict between employers and organized labor—wage rates, annual wage plans, seniority, the union shop, "accumulated" grievances, or other issues? Certainly, all of these issues will be the *stated* reasons for many strikes; they are the obvious reasons, but there are more basic focal points of disagreement.

One basic reason for industrial strife in this country is the struggle between management and organized labor for prestige with workers, which often degenerates into a sort of "cut-throat competition" for employee loyalty. Some executives regard a favorable vote for a union in a labor board election as an act of "desertion" on the part of those who were formerly "loyal" employees. Many employers look upon unions and their leaders as *competing for* rather than *representing* the interests of workers.

Labor leaders, on the other hand, hold that jobs can be safeguarded and opportunities for employment enhanced only through union action, and that a union is the only organization which can be concerned with the interests of

workers. Union officers usually point out that management cares very little about the well-being of its employees and that the company is interested only in getting out the work irrespective of the consequences to the workers. Furthermore, union leaders bitterly condemn unilateral action taken by management to improve the condition of workers as an "anti-labor" drive to "kill off the union with kindness." Accordingly, unions often seek to undermine workers' confidence in the motives of management by campaign tactics designed to spread disrespect for the authority of the company.

The vast majority of union members are "pork-choppers"—interested in immediate tangible benefits. In return for their dues-dollar, they want value received. To the extent that management is able to deliver the "pork-chops" without union pressure, the worker is often ready to shift his allegiance to the company. In short, a large proportion of American workers are fence-sitters and are willing to let management and organized labor compete for their support. They are at the same time suspicious of management and

* This article is an excerpt from Mr. Harbison's chapter in William F. Whyte's *Industry and Society*, published by McGraw-Hill Book Company, Inc.

sometimes distrustful of the union leadership, particularly when a question of compulsory membership or payment of dues arises.

Viewed in this context, some of the issues in labor-management relations, such as "maintenance of membership" and the "union shop" can be focused more clearly. The employer, of course, opposes the union shop because it may result in the union securing an economic stranglehold on the company by control of the labor supply. Union leaders press for the union shop because of a recognition that they cannot persuade all workers, in the face of company competition, to become union members. Accordingly, they seek to compel allegiance to the union by making employment dependent on support of the union.

Another focal point of conflict is the question of discipline. Management naturally wants to retain its right to discharge workers who do not meet prescribed standards and to promote those best qualified for advancement. In order to maintain efficiency and to retain their *status* as managers, executives want workers to look to the company, and not to the union, for criticism or approval. Although the union, too, may have an interest in efficient operations, it usually wants to share these so-called management prerogatives so that workers will be less dependent on decisions of the company. Thus we can see the motivating force behind demands for the determination of promotions by seniority rather than by management discretion, for changes in the wage rates only by mutual consent, for joint labor-management committees, and for protective working rules of all kinds.

Some observers contend that these

basic conflicts cannot be resolved—that either management must win the struggle by weakening or eliminating unions or organized labor must win a decisive victory over management and take over the very reins of industry. But most employers and union leaders do not hold such a gloomy concept of labor relations. They hope that collective bargaining can be made to work under certain conditions. What are these conditions and can they be fulfilled?

In examining cases where cooperative and productive relationships exist between management and organized labor, we usually find that the employer has accepted *labor organizations as a constructive force* and as an integral part of industrial organization. For its part, the union has accepted the function of management in directing private enterprise and has recognized that jobs are dependent upon the continuation of profitable operation of the business. The attitude on each side is one of whole-hearted acceptance of the function of the other.

A company which accepts unions whole-heartedly looks upon them as providing better means of communication between workers and company officials and as an incentive to better management. One company president recently expressed this idea in the following way: "We in management recognize that we are doing a better job today because of the existence of unions in our plants, for the simple reason that unions bring to light deficiencies in management which would otherwise be overlooked and hence left uncorrected." Implicit in this attitude is a recognition of the function of unions in providing better communication with workers.

Acceptance of labor by management is usually reciprocated. In addition to an attitude of respect for the company, we also find in such instances that the union leadership involved usually has made up its mind that private enterprise is here to stay, and that in the interest of the workers and the union membership, there must be cooperation with management to increase the size of the total earnings pie in addition to reaching agreement on the proportionate slice which goes to labor. While participating in the setting of wage rates, the making of time and motion studies, the determination of production standards and layoff and promotion policies, the unions recognize that the employer must constantly improve plant efficiency and make a reasonable profit in order to stay in business and thus to provide jobs for the membership. Concrete examples of this type of attitude by labor are found, for example, in the clothing industry where the unions have actively cooperated with employers to lower unit costs to allow expanded production at lower prices.

The initial observations as set forth above are the result of a rather careful interview analysis of 50 situations where "good" relationships existed between the union and the company. It was quite apparent in all of these cases that the top management and top union leadership had accepted whole-heartedly each other's status and function in a free society. In some cases, the employer had signed a union shop contract, but in others there were no stipulations requiring that employment be dependent on union membership. In all of these cases, the union shop was not an important issue—nor was there fundamental difference on questions

such as discharge and seniority. This leads one to conclude that when the status and function of each side are clearly recognized by the other, some of these bitterly contested issues in union-management relations may cease to be focal points of controversy.

Utopia in labor-management relations *cannot* be achieved alone by employer acceptance of unions and union recognition of management, *even if there is adequate understanding and acceptance of such a policy up and down the line.* Other problems must be dealt with. The "full employment" issue, for example, will have far-reaching influence on the future course of labor-management relations, and we are not going to solve such problems as restriction of output until we find a cure for the problem of unemployment.

Government must play an important role in providing unemployment insurance, a system of old-age annuities, old-age assistance, and financial protection of workers against injuries and sickness. There is a growing recognition by workers, unions, and many companies, also, that the government must take definite steps to assure high-level productive employment in a peacetime economy. On this score the economic interests of unions, employers, and employees are not in conflict.

Labor and management have common interests and divergent interests, both in the plant and in the nation. The roads to industrial peace are: greater recognition by both groups of their common interests, and intelligent compromise of their opposing interests. Many employers and labor leaders think that these roads can be the concrete highways of a new era in industrial relations.

Communism and Your Labor Relations

STABLE employee relations today may depend in large part on the presence or absence of the Communist influence. Thus it is important for the executive handling labor relations both to master the art of identifying this influence and to know what to do about it. Here are some suggestions:

1. There is no infallible test that will identify a Communist. But there are many clues that can add up to certainty. Watch for: (a) party-line adherence in union publications, in records of union leaders, and especially on the part of key men in the union—e.g., executive secretary, educational director, publications editor, legislative representative; (b) unions that consistently receive Communist-press support; (c) violence of utterance (as in the free use of such labels as "Fascism," "deviationist," "capitalist contradiction," etc.) and unreasonable criticism of working conditions; (d) introduction of purely political or extra-union issues into local or plant election campaign material; (e) hostile attitudes toward anti-Communist union leaders; (f) union support—through solicitation of contributions, ticket-selling, etc.—to Communist causes; (g) frequent appearance of your union leaders at political rallies, mass meetings, etc., along with known Communists and Communist sympathizers.

2. Remember the importance of identifying job applicants who are sure to reflect the divided loyalties inherent in membership in the Communist Party. This must be distinguished from discriminating against union people in hiring, which is forbidden by the Wagner Act.

3. The Wagner Act prohibits employer interference in union affairs, but there is nothing illegal in the adoption of certain policies rather than others

in dealing with a Communist-controlled or influenced union. Be careful, however, about characterizing a union or its members as "Communist." In some states, the epithet is libelous *per se* unless it can be proved.

4. If you are up against a Communist-led group, exercise as much tact as possible in opposing extreme demands, while employing to the full the entire arsenal of sound labor relations techniques. Remember constantly to sell your employees on your own fairness and on the advantages you offer.

5. The services of a labor relations specialist thoroughly familiar with all phases of the labor movement is a valuable asset in dealing with the Communist problem or the threat of it.

6. Settle all employee grievances as quickly as possible and keep employees fully informed as to steps taken and future plans.

7. If a Communist group is attempting to secure control of a union with which you deal, tough management policy toward the non-Communist leaders may drive employees into the Communist camp. Therefore, examine carefully all details of your collective bargaining policies to insure that you are not providing the Communist element with ammunition.

8. In some cases, where a Communist-dominated local is making true collective bargaining difficult or impossible, an appeal to the international union may help. The appeal should indicate that you are still interested in bargaining collectively with your employees and are willing to bargain directly with the international. If it is a union strongly led from the top, this may produce results. In any event, it will be an asset in dealing with the NLRB.

9. Because the political strike is one

of the weapons of the Communist-controlled union, insist on "no strike" clauses in bargaining with such a union. In drafting anti-strike provisions, remember that they are valueless unless penalties for violation are set up—penalties on the union treasury or against workers who participate in strikes.

10. When dealing with a Communist-controlled union, give particular attention to clauses covering: (a) management prerogatives, including provisions allowing for union participation in or review of managerial decisions; (b) union security and company security; (c) grievance procedure; (d) incentive plans subject to union consultation; (e) joint labor-management committees.

11. Keep a stenographic record of negotiations with the Communist-controlled union, as protection against misrepresentation.

12. The Communist-worker leader in any plant is usually so busy with Party

activities that he lets his work slide. Impartial enforcement of rules on efficiency and absenteeism takes on added significance in this connection.

13. Remember that Communists may stir up rank-and-file revolt against ratification of agreements. Under the law, management representatives must come to the conference table with authority to bind the company, but this does not apply to the bargaining representatives of the union. It is good practice, therefore, to make it clear in the course of negotiations that individual concessions are tentative only, pending final acceptance of the contract.

14. Finally, under no circumstances accept cooperation from a dissident Communist group within the union in opposing demands of a non-Communist element. Not infrequently, a minority Communist group will propose such a deal in an effort to gain control of the union.

BY WILLIAM J. CASEY. *Forbes*, August 1, 1946, p. 14:3.

Management Looks at Labor Productivity

A *Mill & Factory* survey, made among all types and sizes of manufacturing companies, questions company executives about the present productivity of labor in their plants as compared with labor productivity before the war. The executives queried were asked to discount the effect of more modern machines, as the survey is intended to cover the efficiency of labor itself . . . i.e., how the working efficiency of the employee today compares with his prewar standard.

A summary of survey findings follows:

1. Only 10 per cent of the respondents stated that labor efficiency in their plants is better than prewar. Thirty-five per cent said it is about the same and 55 per cent said that their labor efficiency is less—some by as much as 50 per cent.

2. The majority of the respondents stated that a general indifference on the part of labor is a major factor in the lower labor efficiency in their plants. Twenty-seven per cent said that production limits in their plants have been set either openly or secretly by the labor unions involved.

3. Only 11 per cent of the respondents stated that "make-work" or "feather-bedding" tactics are employed by their workers.

4. Means of correcting this decrease in labor efficiency suggested by the respondents mainly concerned the intelligent use of incentive and job evaluation systems and modification of present methods of handling unemployment compensation, which, they felt, dulls the incentive for people out of work to look for jobs. Many respondents also felt that labor inefficiency will continue low as long as there is a shortage of labor.

—*Mill & Factory* 8/46

Office Management

Benefits to Salaried Employees

A RECENT Dartnell survey* reported on salary changes in 342 companies since V-J Day, 1945. Of these 342 companies, which employ a total of 55,231 white-collar workers, it was found 94.7 per cent had given raises of some kind or another to at least part of their employees. Blanket raises to all white-collar workers had been awarded by 55.8 per cent of all the reporting companies.

This article considers other adjustments in lieu of, or in addition to, salary increases which have been awarded clerical workers by this same group. Reports have since been received from 11 more companies, bringing the total up to 353 companies.

Management can do other things for employees than pay salaries. It can offer employees longer vacation periods with pay; it can give vacations to employees who never were allowed them in the past; it can offer group insurance, install retirement or pension plans. Another salary adjustment may take the form of a job analysis which, in the theory at least, insures more equitable pay for everybody in an organization.

Figures received by Dartnell indicate a considerable number of companies are adding other inducements in lieu of, or in addition to, salary increases.

Longer vacations are being granted by 55 companies out of the total of 353. The most popular plan for increasing vacations is to allow three weeks instead of two to employees of 15 or more years' service. But quite a few companies allowed only a week's vacation with pay to employees; some of these

have added a week, making it two weeks with pay instead of one. One well-known firm reports three weeks' paid vacation for all office employees with 10 years' continuous service. Several concerns require 20 years' service before granting three weeks' paid vacation.

Twenty-eight companies, or 7.9 per cent of those reporting, are now giving vacations to employees who never were granted paid vacations in the past. Most of these companies are small. It should be remembered that an extra week of vacation is equivalent to a 2 per cent raise.

Group insurance seems to be a favorite means of winning employee loyalty without necessarily increasing the base salary. Some employers feel that salary brackets are so high now that further increases would only necessitate a cut at the first sign of economic trouble. But with money put into group insurance, these companies feel they can continue the insurance in a period when salary-cutting might be required to remain in business.

A total of 59 of the reporting companies have added group insurance to employee benefits since V-J Day. Reports from 33 companies indicate group insurance plans in effect prior to V-J Day, some for as long as 20 years. Thus a total of 26.1 per cent of all companies in the group of 353 have provided employees with the benefits of group insurance.

Twenty-five firms report installing retirement or pension plans since V-J Day. It is interesting to note that 26 companies had retirement or pension plans prior to V-J Day, which means 14.4 per cent of the 353 respondents

* See THE MANAGEMENT REVIEW, September, 1946, pp. 373-375.

now have retirement or pension plans.

Employee stock purchase plans do not seem as popular today as they once were. Only six of the companies have inaugurated stock purchase plans since V-J Day, and none mentioned having such plans prior to that date. In today's high market for securities many management men consider it hazardous to encourage employees to purchase stock because of the possibility of a deep reduction in market values. The employee who risks a good share of his or her savings in purchasing company stock, only to see that stock suffer a drastic decline in market value, is not likely to feel kindly toward the company which encouraged the stock purchase.

There are various other methods of enhancing the appeal of employment in a company besides those just mentioned. Some of them are company payment of hospitalization plan premiums, salary bonuses, year-end bonuses, Christmas bonuses, and profit-sharing plans. None of these seemed especially important to the group of employers whose policies were investigated.

Only six companies pay hospitalization plan premiums. Three companies pay bonuses on salaries, based on profits. These three concerns pay the bonuses to all employees.

One firm reports giving a year-end bonus of 5 to 10 per cent, based on length of service. Another company reports a monthly bonus of \$10 to \$50, depending also upon length of service.

One company grants a special Christmas bonus and savings benefits, while three of the respondents have installed profit-sharing plans for all workers.

For several years now, many progressive employers have been submitting their organizations to a thorough job analysis and to salary administration studies in an attempt to bring some order out of the chaos which has always reigned in this field. Dartnell sought to learn how many companies are working on job analysis or salary administration plans, and how many of those in the group surveyed already had them in effect at V-J Day.

Here is what was found: 46 companies, or 13 per cent of the 353, have recently installed job analysis or salary administration plans. Obviously many astute companies feel personnel work, job analysis, and salary administration are more important today than ever before.

Twenty-seven companies (7.7 per cent of the 353) had made job analyses or were using salary administration plans previously. These plans have been in effect from two to 20 years, but the great majority have been operating only a few years. Seventeen companies were working on job analyses or salary administration programs at the time of this survey (early in June, 1946). This means that 25.5 per cent of the 353 companies are now working under formal job analysis or salary administration plans.

American Business, September, 1946, p. 32:2.

• ERASER ATTACHMENT for a typewriter—that erases while the copy is in the machine—is operated by a special key on the keyboard. When the key is depressed, the eraser strikes the paper. It is a belt stretched over a tiny wheel which is mechanically operated by the impact flow.

—*Science News Letter* 3/30/46

A Special Library for Office Employees

IN addition to its large and varied collection of general fiction and non-fiction for employee use, the Prudential Insurance Company, Newark, N. J., maintains a special management library of books and periodicals for executives and employees interested in office management methods and personnel problems.

This library, developed from a small nucleus of books on management since 1941, is one of several special libraries that make reading material easily accessible to personnel. The Dryden Memorial Library, dating back almost to the founding of the company and bearing the founder's name, puts fiction, standard non-fiction, and magazines at the disposal of Prudential's 10,000 employees. There are also actuarial, insurance, law, and medical collections.

Numerous time-saving methods of bringing significant material to executives that the Management Library has devised are especially interesting.

One of its outstanding services is the monthly publication of *Management Digest*, featuring reprints of articles that deal usually with one timely phase of management or methods. The pocket-sized *Digest*, prepared by Marguerite Rummell, librarian, and multi-lithed, is distributed to all company executives and supervisory employees.

Forty or more business publications, dealing with personnel, management, current events, and related topics, to which the library subscribes, are routed to officers, executives, managers, and others in supervisory posts. A considerable number of subscriptions are taken for magazines in great demand. Routing is planned on a geographical basis for quick distribution.

New magazines are added to the library's subscription lists as they are re-

quested by executives, whose interest often results from discussion in management meetings. Exchange of ideas with other business libraries through the Special Libraries Association also proves helpful in suggesting new material.

To bring to executives news of recent books and important management meetings and conferences, the librarian prepares a special bulletin in which books and other material listed are briefly described. Topics and leaders of forthcoming meetings and conferences are also noted. Organizations included are the American Management Association, National Office Management Association, Society for the Advancement of Management, and Life Office Management Association. One phase of the library's service, important in bringing it into close touch with executives, is the making of reservations for such meetings and handling the payment of bills.

Titles requested by executives are constantly being added to the Management Library's stock of books, in addition to the outstanding new books that the librarian regularly purchases.

Most of the requests for books and pamphlets are made by telephone, and the company's mail and messenger service is used in delivering material and picking it up.

All sorts of special services are performed by the library. Material referred to in articles reprinted in the *Management Digest* or in other periodicals is obtained for those interested.

Many books on general topics helpful to the business executive are included on the library shelves. Books on public speaking, for example, are popular with executives called upon to address groups.

Miss Rummell makes a point of finding answers to the host of questions that arise in executive offices. Frequently she supplies correct addresses of business firms, names of officers, etc., consulting annual reports or other data on file. Executives preparing addresses or papers may turn to the library for information.

An information service for vacationers is one of the extra features that make Prudential's Dryden Memorial Library, with its more than 9,000 titles in fiction and non-fiction classifications, popular with employees. The librarian obtains all available material regarding steamship and railroad lines, resorts, and accommodations for vacationers, and secures information necessary for solving individual vacation problems.

Among important special services is its provision of collateral reading for employees taking Life Office Manage-

ment courses and College Life Underwriting courses. The library also supplies required reading for the many young high school students employed part time, permitting them to study at luncheon periods or after hours.

Most important of the library's many functions is that of making good material of every description, including a wide assortment of popular magazines, so accessible that employees will enjoy reading and form good reading habits. In addition to its large stock of fiction, including current best-sellers, the library puts classics, poetry, biographies, reference works, books on sports, and all outstanding non-fiction titles at the disposal of readers. Its collection of books on World War II is especially comprehensive.

BY VIRGINIA KENT. *Office Management and Equipment*, August, 1946, p. 23:3.

Routing Plan Expedites Circulation of Data

A SYSTEMATIC plan for circulating the various publications to which the Plomb Tool Company, Los Angeles, subscribes assures the staff that they will have available the technical and general business news they need while it is still fresh and timely.

The company subscribes to 74 periodicals, each of which is read regularly by some of the 29 executives and department heads. To determine the best routing, a list of all publications received was compiled and circulated among this group so that each person could indicate which of them he wished to see regularly. This resulted in the addition of a few new publications, and in a few instances showed that more subscriptions were needed for adequate coverage.

Standard routing slips were then prepared. Colored 3" by 5" cards were printed with instructions to "read, initial, date, and indicate any references for others." Also, if for any reason the transit of publication would be delayed, the person involved is told to strike his name off, add it to the bottom of the list, and send the paper or magazine on its established route.

The variable elements—i.e., name of publication and those who receive it—are then filled in. These details are filled in by a duplicating process, and a six-month supply is prepared in advance.

Routing begins at the mailroom. After incoming periodicals are opened, and their receipt is noted on a card record, the routing cards are stapled or stuck on the covers of the magazines or the upper right-hand corners of papers, and the circulation begins. In this way all periodicals start their route immediately after being received, instead of piling up on the desk of some individual who might become involved with other business and delay their circulation.

—M. B. PENDLETON in *Factory Management and Maintenance* 9/46

"Bonus Plans for Dictation Machine Operators"

CONSIDERABLE reader interest was evoked by an abstract with the above title which appeared in the July issue of THE MANAGEMENT REVIEW. One reader raised some questions which the editors felt should not be left unanswered, and we are accordingly printing this reader's comments below, along with a rejoinder by the author:

There have been a number of satisfactory applications of incentive plans to office workers performing duties such as comptometer operation, bookkeeping machine operation, punch card accounting, and other less repetitive operations, as well as dictation machine operation. Much that Miss Harvey says in her article in your July issue has been proved correct, but with one or two statements I am forced to take exception.

The author states that "existing averages," "investigation of similar plans in other offices," and "conferences among comptroller, office manager, and . . . supervisor" should be used to determine standards.

Further on in the article she says: "The amount of bonus and required lineage before bonus can be adjusted upward or downward at the discretion of the individual company to yield more or, if desired, less than this amount in savings, but best results are obtained when the company and the employee share equally in the monetary benefits resulting from the increased production."

The amount of savings, whether it be divided equally or unequally, either way, should have nothing to do with the "lineage before bonus." This figure can and should be established by time study, and anything short of that method would be inaccurate (unless luck had a large part in it) and indefensible.

I doubt whether any competent engineering specialist would sign his name to a standard without time study, even though he had reams of data secured from comparable operations.

Standards based on past averages, savings, comparisons, and opinions are dangerous from an industrial relations angle and also from a cost angle and, in my opinion, should be avoided. —J. J. ARMSTRONG, Asst. to Vice President and Works Manager, De Laval Steam Turbine Co.

REJOINDER BY THE AUTHOR

For types of work in which the sole factors are mechanical and, in the main, controllable, as in the case of "comptometer operation, bookkeeping machine operation, punch card accounting," mentioned in the criticism above, I assent to the proposition that time study can and should be the sole basis for determining standards. However, to employ time study as more than a supplementary determinant in fixing standards for voice machine transcription is to ignore several vital elements.

Unlike "comptometer operation, bookkeeping machine operation, punch card accounting," etc., the transcription of a voice machine cylinder or disk involves factors beyond the range of prescribed expectation or predetermination. We may time-study the typist, but we cannot time-study the dictator who represents the source of her work and who is the unknown factor determining the speed of her output.

The typist is expected to translate into a faultless product what often may be disjointed, ungrammatical, absentminded, and temperamental dictation. She must exercise judgment and style in setting up the letters and arranging the contents attractively. If she thinks the dictator is inaccurate, she must check the papers or send him a note calling his attention to the matter.

She can either give this kind of service or she can take down exactly what the dictator says and leave out what she cannot hear, typing the letters without care or interest as to arrangement and appearance. She will probably follow the latter course if her standards are fixed by a stopwatch representing the *mechanically possible* in the way of speed.

To fix standards through the use of a mechanized medium will mechanize the result. In the mind of the worker it leaves an ineradicable impression that quantity rather than quality is desired. The establishment of standards on the basis of past averages *known to have included time for quality effort*, however, will assure the worker that management has no desire to sacrifice the quality it has always expected and received.

Furthermore, averages must be considered over a considerable period of time to discern all the fluctuations and conditions that influence tempo. It is safe to say that in almost every dictating machine department today green trainees compose 50 to 75 per cent of the workers. The product of their labors is subnormal—not because of lagging effort or lack of earnestness, but because of deficiency of skill and of the mental dexterity that accompanies long familiarity with a dictator's style and work. To use the figures of a time study taken today *disassociated* from the "existing averages over a considerable period of time" would yield a standard far from representative of what an experienced girl can do.

Finally, the objection taken to the *element of decision* which the "comptroller, office manager, and . . . supervisor" bring to bear on the fixing of standards, as well as Mr. Armstrong's statement that "standards based on past averages, savings, comparisons, and opinions are dangerous from an industrial relations angle," suggests that he believes the results obtained from holding a stopwatch on an operation can only be absolute and inviolable. In this kind of thinking I believe people are being confused with machines. In an operation involving an inspirational effort you can achieve no precise result, and to maintain that under such conditions nothing less than the product of a slide rule is right or proper is to attempt to reduce human reactions to a mathematical formula. We must be careful in our constant work with figures, equations, and formulas not to be led into the aberrant belief that everything, including people, can be reduced to those terms.—TRUSSELLE HARVEY, Supervisor, Transcribing Bureau, New York Office of the General Electric Co.

Handling the Mail—In and Out

ANY company with a large branch, agency, or dealer organization usually has a daily problem in the forwarding of outgoing mail and the sorting and routing of incoming mail. The dispatch with which important information is communicated throughout the organization depends greatly upon the proper functioning of the mailing department. Because the underlying principles of an efficient centralized mailing department are the same, small companies with special mail problems can utilize many of the cost-cutting and time-saving ideas of mail handling used by larger industries.

A mail system has been developed by the Continental Assurance Company of Chicago, which has several hundred branches and agencies throughout the country. The following paragraphs present a case history of how Continental handles its mailings and suggestions on how this and similar systems may be adopted by other companies.

Employees of the Continental Assurance work on a five-day schedule from 8:30 to 5:00. However, the mailing room employees, consisting of more than 25 workers with a department head, have a special early and late schedule including Saturdays and holidays to insure the smooth handling of mail and to avoid peak loads and costly delays in handling claims, premiums, and new policies.

Continental has five mail deliveries a day. All mail is picked up at the post office by the company, except mail arriving at 3:00 p.m., which is delivered. The first morning mail is the largest. Usually from three to six large mail bags are picked up and delivered to the mailing room not later than 8:00 a.m., so that all mail can be sorted and delivered to each department when the office opens.

Here is the systematic procedure Continental follows for handling incoming mail:

1. *Sorting.* First-class mail is separated and letters addressed to executives or marked personal are placed to one side, unopened. Large or bulky envelopes are stacked separately to be opened by hand.
2. *Opening.* Special delivery and air mail letters are opened first; then other first-class mail. All this mail is stacked and fed into an electrically operated letter opener. If envelopes are opened by hand, the end of the envelopes as well as the flap should be slit so nothing is left in the envelope. All empty envelopes are placed on a separate table and checked again for any possible oversight of contents before discarding.
3. *Time stamping.* This indicates any undue delay in answering letters and may be needed for future reference.
4. *Handling money enclosures.* These are attached to the accompanying letter and placed in the original envelope. Such letters are delivered immediately to the head of the mailing department, who sends them by special messenger to the collection department. This mail is handled separately and does not follow regular routing. All employees at Continental are bonded.
While the handling and accounting for money enclosures is only partially a mailing room function, this is always a problem in handling incoming mail. To speed office production many firms now use modern registering machines in their cashier department. These machines create a cash record, and register the customer's remittance documents, using serial controls or tape. This fast procedure of omitting names and using numbers has proved an economy and also a protective measure.
5. *Routing the mail.* After mail is opened and time stamped, it is placed in several large metal trays, which are marked according to the floors on which the various departments of Continental are located. By using this classification, incoming mail is quickly routed to each floor and department every hour, and intra-office communications and outgoing mail are picked up. In routing mail, precedence is given letters to officers, executives, and all urgent matters such as claims.

The following procedure used by Continental shows how the company

messenger service can be made to function in conjunction with the mail department:

1. A schedule for mail and message pick-ups and deliveries every hour has been established. The last pick-up is at 5:00 p.m. so all mail can be dispatched by 5:30 each day without delay or unnecessary overtime.

2. Incoming and outgoing trays are placed on every desk.

3. One messenger is designated for each floor and is responsible for all pick-ups and deliveries for that floor. Mail and intra-office communications are placed in large baskets for the messenger from the centralized mailing room. All mail and messages are delivered to the mail department for separation and sorting according to floors. Every hour messengers gather the mail and office memos from the centralized mailing department where they are routed to floors and another pick-up begins.

When the incoming mail is received, if letters are damaged, the fact is noted on the envelope and the letter and contents are checked. If the sender's identification or address is missing from the letter, the envelope is attached to the correspondence, so the address, postmark, or handwriting can be checked.

Equipment for the mailing department's handling of outgoing mail consists of a number of specially built units with compartments for the sorting and accumulating of mail for hundreds of branches and agencies. Each opening in these units has a label holder above the compartment for the name and location of the agency. When there are two compartments close together bearing similar names, a red metal tag is placed beside the label holder to warn the sorter. Next to this sorting rack is a filing cabinet containing an alphabetized file of Addressographed enve-

lopes to each of these agencies. At the beginning of the day, compartments are checked to insure that each contains one Addressographed envelope.

As the outgoing mail is delivered every hour to the mailing department, it is sorted and placed in the correct agency box. When the first outgoing letter is placed in an agency box, the envelope in that box is turned over so the flap will stick up. At the end of the day the sorter can quickly glance at the boxes having envelope flaps standing up, without checking all the boxes for outgoing mail, then insert the day's mail for a particular agency in one envelope.

All outgoing mail is then weighed and placed in baskets marked three, six, eight, or nine cents, according to the postage required, so the postage meter can be set for each group. All parcel post packages and large or unusually bulky envelopes, which will not go through the postage meter, are sealed, and metered postage on moistened tape is affixed.

Here are some points to check carefully for each large mailing operation (when the mailings are repeated, these steps become a routine procedure):

First consideration is what the mailing comprises and number and sizes of pieces to be included. If the mailing contains letters that are to be individually addressed, this should be noted so the letters and envelopes can be grouped together in the Addressograph department.

At Continental, the Addressograph department is located next to the mailing room, so work can be planned easily. Size of envelope and type of postage should also be decided. Postage can be determined by checking weight of contents with the post office or by scale. This operation will also

indicate how pamphlets or oversize material should be folded to fit the envelopes used, and will show whether standard folding machines can be used.

When material for mailing is received by the mailing department, sheets are laid out on tables away from regular mail handling in proper order for assembling, after it has been processed by the folding machine. This material, together with the envelopes,

is kept in small piles for ease in handling. After they have been assembled, mailings are then ready for sealing and stamping by postage meters. If the material is to be sent by third-class mail, flaps of the envelopes will be tucked in, and they will then be sorted according to cities or states, and bundled.

American Business, March, 1946, p. 22:5.

"It Works Like Magic!"

THE CSOCMO (Committee for the Study of the Origins and Control of Magic in Offices) has just rendered its preliminary report, and its findings are, to say the least, remarkable. In this day of streamlined procedures and Gallup polls, halfway to the 21st century, management is confronted with a hangover from the world's childhood!

According to the report, the manifestations of Magic in offices follow well-defined channels, and are especially potent in contact with business records.

Some executives find that sending letters to the filing department evokes Black Magic, and the letters go up in smoke. In order to nullify this sinister influence, a powerful charm or talisman is the personal filing system kept in the bottom desk drawer. It is very effective in keeping letters from the files, and Black Magic has no effect on it. The intricate index which usually accompanies it is a great aid in revealing what letters have been lost.

White Magic is mentioned with enthusiasm wherever it is in use. In these offices it is unnecessary for the file clerk to be given either name, date, or subject of a letter in order to get it from the files. She produces it by the aid of White Magic. Thus her work is very easy, and the executive's brain is freed from burdensome detail.

A peculiar form of Magic which renders file holders invisible has been noted lately. Thus, when the file clerk requests the return of a folder issued last week, the reply is "I never saw the folder!" The advantage of invisible folders is that a desk always presents a neat, cleared-up appearance, no matter how many folders may be piled there.

Almost every office, says the Committee, is troubled with a form of Magic known as Leaping Letters. It is impossible to tell when a letter is thus affected, because there is nothing unusual about its appearance. When requested from files, however, it is not where it should be, nor is it on the desk of origin. After the file clerk has wasted much time and energy tracking it down from desk to desk, and her nerves are about to give way, she realizes, if she is familiar with Magic (and most file clerks are), that she has a Leaping Letter to contend with.

She thereupon goes to the executive who asked for the letter, and casts a spell over his desk. This subdues the Leaping Letter, and it can readily be captured in the "Out" basket, the middle desk drawer, or in the charmed file already mentioned. This demonstration of Magic is always entertaining to any customer or client who may be present and, like all entertainment, has considerable business value.

—IRENE MCFARLAND in *Office Management and Equipment* 8/46

- ACCORDING to a Twentieth Century Fund report, the number of unskilled workers in the United States dropped from 36 per cent of our working force in 1910 to 26 per cent in 1940; the number of semi-skilled workers rose from 15 per cent to 21 per cent; and the white-collar occupations grew from less than 15 per cent in 1910 to nearly 24 per cent in 1940.

Personnel

Pre-Planning a Personnel Selection Program

PREEMPLOYMENT testing, in the opinion of Lewyt Corporation managers, is no better than the planning that precedes it. A description of the techniques this company used to make sure the system it installed would be the best for its particular purposes, and the conclusions reached, may therefore be helpful to others who are thinking seriously of installing a battery of personnel tests.

One particularly interesting conclusion was drawn: that it was possible, by correlating the intelligence and aptitude test scores with the job evaluation points, to predict the potential ability of the applicant to handle a job of higher responsibility than the one for which he was originally hired.

Since most applicants for positions at Lewyt do not have previous experience in the company's line of work, achievement tests were discarded as having no value as a preemployment indicator. Tests of personality and interest were shelved because, while the importance of personality traits was recognized, management was not convinced that psychologists have succeeded in developing adequate tests.

Job analysis and inventory of jobs revealed that more than 65 per cent of job classifications in the plant are of the unskilled and semi-skilled variety, requiring not more than three to six months' training. It was expected that with the contemplated peacetime operation and efficiency, this ratio of unskilled to skilled jobs would increase. Therefore it seemed to be of

prime importance to know the capacity of applicants before they were hired. It was accordingly decided to concentrate on aptitude testing.

In testing aptitudes for factory jobs in the plant, three basic elements required consideration:

1. Mental ability.
2. Eye-hand coordination or manual dexterity.
3. Space perception.

Close examination of job analyses has indicated that most factory jobs in the Lewyt plant do not demand persons of high mental ability. Every job, however, does require some degree of ability to think, to understand spoken or written orders, to understand and use figures, and to remember. Job analyses also indicated that most jobs (approximately 65 per cent) require an average norm or better of eye-hand coordination; 35 per cent of the job classifications required both eye-hand coordination and space perception to satisfy job requirements.

Keeping in mind that tests should be both economical to administer and flexible enough to meet changes in jobs, management selected the following tests as applicable to the jobs in this plant.

For Factory Employees:

1. Wonderlic Personnel Test, which measures the range of a person's thinking ability. The use of the word "personnel" avoids the negative reactions of applicants to intelligence tests. Time—12 minutes.
2. MacQuarrie Test—The first part, dealing with manual dexterity or eye-

hand coordination, measures speed and accuracy at tracing, tapping, and dotting. The second part, dealing with the capacity and power of visualization of objects and space, measures speed and accuracy in copying letter location, block identification, and visual pursuit. A person receives two scores—one for manual dexterity and another for space perception. Time—30 minutes.

For clerical employees:

1. Wonderlic Personnel Test—The same test, administered in the same way, as the one used for factory employees.
2. Minnesota Vocational Test for Clerical Workers—Measures speed and accuracy in checking numbers and names and is related to the ability to discriminate small differences rapidly; to observe and compare; to adjust to a new situation; and to give attention to a problem. Time—15 minutes.

In order to determine that the tests selected were valid for employees' selection and placement, a series of tests of the present employees was conducted, and the test results were correlated against criteria of desirability of a selected group of employees, and criteria of other companies in similar industries.

Before making the survey a program of education was undertaken to assure that employees both understood and were in accord with the survey. To accomplish this, each employee was assured of three things: that the results of the tests would not be used against the employee in any hiring or firing—that they were merely for statistical analyses; that the results would not be shown to any present supervisor of any present employee; and that the results would enable the company to eliminate misfits and hire only people who were as good as those already on the team.

The conclusion drawn from individual score comparisons, group comparisons, comparisons with data from other companies, as well as proving out the individual scores with the individual's plant record, was that the tests selected

and the means determined were valid for the company's purpose.

The next question which proposed itself was "What is the deadline below which an applicant should be disqualified because of lack of aptitude for the job to be filled, and what is the ceiling above which the score indicates a specific warning that the applicant has too much latent ability to do the job justice?"

As an answer to this question critical scores were set by the establishment of a spread above and below the arithmetic mean, known as the measure of variability or standard deviation. The critical score may be changed according to the company's requirements, the condition of the labor market, and company policy.

At the outset it was realized that if the results of preemployment testing could be tied in with job evaluation, the potential ability of an applicant could be ascertained even to the point of determining the ultimate position for which he might be suited.

The pay for factory jobs is determined by a point system based on the following factors:

1. Working conditions	1200
2. Responsibility, leadership	2200
3. Mental and visual effort	1000
4. Physical effort	800
5. Knowledge and experience	2500
6. Manual skill	2300

Total possible points allowed 10,000

Each factory job is considered in relation to these factors and, after conference with group supervisors, foremen, and department heads, is assigned a total numerical rating consisting of a summary of the points allowed for each factor. Thus the worse the working conditions, and the greater the other factors inherent in a particular position, the higher the pay attached to that job.

Aptitude scores were then broken down to fit the categories of labor grades and job evaluation points expressed in percentiles. As a result, a list of all job titles in the plant was prepared as an aid in selecting applicants for every single job in the factory.

Instead of the present procedure of the interviewer screening applicants and sending the most likely to the department head for final selection, the substitution of this procedure is proposed:

1. Interviewer will briefly rate applicant on experience, education, temperamental suitability, personality, and appearance. The findings and impressions are noted on a special form.

2. Personnel department will give the required tests, and will note the results and interpretation in terms of the aptitude of the applicant on the reverse side of the form.

3. Department head will finally select or reject the applicant, having before him the application blank with its

attendant data. He will note the rejection or acceptance of the applicant on the same form and return it to the personnel department.

4. Personnel department will file the form as a part of the applicant's record.

Since some applicants will be hired without heed to the test results, an analysis will be made after sufficient time has elapsed to determine the percentage of satisfactory employees among those who were hired and placed on jobs pursuant to the analysis of aptitude test scores, and those who were hired despite the fact that the test score indicated that they should not have been selected.

The relationship of the percentage of satisfactory employees in each case will finally determine the reliability of testing which, in turn, will determine whether the program should be eliminated or further refined.

BY WALTER V. RONNER. *Factory Management and Maintenance*, April, 1946, p. 88:5.

Supervisors Help Administer Suggestion System

AT the AC Spark Plug Division, General Motors Corporation, Flint, Mich., supervisors actively participate in administering and promoting a suggestion system.

The first sheet of the "Employees' Suggestion Blank" has space for the usual proposal and sketches. The second sheet is entitled "Foreman's Analysis." When employees have filled out the blank, they are asked to request help. Instructions read:

Two Heads Are Better Than One

When you have completed this blank, your foreman will be pleased to go over it in detail with you. At this time he will have an opportunity to analyze the problem you present and get action started at once if possible to place your idea into effect.

The "Foreman's Analysis" contains the following questions: "What is wrong with the job which the suggester intends to correct?" "In what way have you commended the author for his effort to make an improvement?" "With your experience and knowledge, can you improve on the original idea?" "What action can you take, as a foreman, to improve this condition?" "Have you taken this action?" "Should this idea be referred to one of our service departments for further study or action?" "Could this suggestion be applied in any other places?"

—*Management Information* 10/7/46

How to Handle Jurisdictional Disputes

THE rivalry between AFL and CIO will get hotter. Both organizations will continue to seek as many members as possible. Frequently their lines of attack will cross. There is also the strong possibility of disputes between rival internationals of the same federation; these are more readily resolved but still present their headaches.

Jurisdictional strikes catch the employer in a crossfire—but you are not helpless. The following paragraphs indicate the types of protection you can seek.

Your policy in regard to jurisdictional disputes is governed by one aim: protection of your business against strikes, boycotts, disturbances, or other forms of damage flowing from inter-union fights. This purpose can best be achieved through the employment of these operational policies:

1. Maintenance of strict neutrality toward disputants.
2. Prompt enlistment of governmental or other help to resolve the dispute peacefully.

Though you may find yourself in the middle in a jurisdictional dispute through no fault of your own, don't be tempted to get yourself off the spot by getting into the scrap. Stay out of it and appeal to the proper authorities.

There is no way to eliminate the possibility of jurisdictional disputes so long as workers have the right to choose which union they want, but there are ways to groove the conflicts into orderly expression and to help prevent them from interfering with production.

NLRB is the main government agency resolving jurisdictional disputes. If your business is not covered by the Wagner Act, you may be able to turn

to a comparable body set up under state legislation.

NLRB has jurisdiction at all times to determine the appropriate unit and to certify a collective bargaining agent. But it is Board policy to leave intra-federational disputes to the federation except: (a) where a third union, not a member of the federation, is involved; (b) where the unions have refused to abide by the federation's awards; (c) where the rivals have failed to submit the dispute to their federation after a reasonable period; or (d) where the rival unions waive the jurisdictional question and agree to submit the representation question to NLRB.

You may file a petition with NLRB when two rival unions demand recognition as exclusive bargaining representative. You may appeal to a federation, such as the AFL or CIO, to intervene when the dispute is between its own affiliates. Both the AFL and the CIO are eager to avoid the unpleasant publicity of factional disputes, and have set up machinery to try to resolve them. But remember that they cannot always secure compliance, and they will go easy in handling large international unions which might secede if an award went against them.

AFL Machinery: First, the two international unions involved attempt to settle the dispute. If they do not reach agreement and they belong to a trades council, the trades council attempts to settle it. The decision of a trades council is supposed to bind its members. If the unions do not belong to a trades council, the dispute goes to the Executive council of the AFL. The Executive Council usually sets up a subcommittee on which neither of the interested parties is represented. The subcommittee weighs the factors in the dispute. How

effectively a union has been organizing and can organize in the disputed field counts heavily in the considerations—and may override the fact that the disputed field was not in the jurisdiction defined in the charter of the union concerned. Technological factors are also considered. The Executive Council's decision is presumably binding.

CIO Machinery: The CIO Executive Board has set up a three-man committee to handle jurisdictional disputes between the unions in that federation. The decisions of this committee are final and binding except for review by the CIO's International Convention. When one of the members of the committee belongs to a union party to a dispute, he withdraws and the remaining members select a replacement. If organizations in which two or three of the committee members hold membership are involved, they withdraw and the President of the CIO fills out the required number.

The AFL and CIO have not yet agreed on machinery to settle inter-federational disputes. During the war, the International Association of Machinists (AFL) and the United Automobile Workers (CIO) entered into a no-raiding agreement. But NLRB will probably remain the major instrument for resolving interfederational disputes.

If you see a jurisdictional fight looming when you renew your union contract, note that *a carefully written con-*

tract clause may insure an early NLRB vote, which may forestall a strike. For instance:

One employer was forced to enter into a contract with the union previously certified in his plant. At the same time a rival union's organizing drive was reaching its peak. Employer got the contracting union to agree to a clause giving the company the right to cancel the contract and call for an election.

The rival union petitioned NLRB for an election—which NLRB would have been powerless to order if the employer had not had the special clause in his union contract. And without the election, the company might have faced a serious jurisdictional strike.

Following is the clause that was used:

If an election is not held to determine the proper bargaining agent and if such bargaining agent is not certified by the NLRB within six months from the effective date of this contract, and if, in the opinion of the Company, such failure to hold an election and certify the proper bargaining agent is caused in whole or in part by the Union, or if the Union or any of its members have contributed to such failure, this contract may be immediately terminated at the election of the Company by giving of written notice to the Union of its desire to terminate same . . . and if another, other than the present bargaining agent, shall win the election, this contract will automatically be terminated.

From *Facing a Union Drive* (Research Institute of America, Inc., September, 1946), p. 46:2.

Joint Control

ONE significant change will result from the return of public employment offices to the states November 16. There will be better coordination of placement and unemployment compensation functions, with the employment service now playing second fiddle to the state unemployment compensation bureaus.

Beginning November 16, the state unemployment compensation office, which has always footed the unemployment bill, will recover its right to determine who is unemployed. It will lay down the rules for the employment service, which usually will share the same office. But if a state wants to receive federal funds to operate employment offices, it will have to meet the standards which Labor Secretary Schwollenbach has laid down.

USES will remain a Labor Department bureau devoted chiefly to coordinating activities of state employment systems.

—Business Week 10/5/46

Job Relations for Union Stewards

THERE are 150 shop stewards, members of Local 122 of The Textile Workers of America, who are employed by Alexander Smith & Sons Carpet Company in Yonkers, N. Y. Every week 12 of these stewards meet to participate in a two-hour session, part of a 10-week job relations course designed to enable the stewards to handle in an efficient manner the grievances brought to them by workers.

After five of these two-hour sessions, when theoretical and actual problem cases of the stewards are discussed and studied until the best solution is reached, a new group of 12 stewards meets for the course. The program started in late spring and is continuing until all the 150 stewards have had the course. It is the aim, after that, to conduct a series of refresher courses.

The program, which is under jurisdiction of the training department, with members of that department conducting the courses, was the idea of Harold C. Zulauf, vice president in charge of labor relations, and was worked out with cooperation of the local union which has been in the mills for nine years. The aim is to achieve settlement of 95 per cent of all grievances directly between shop stewards and supervisors. The company was one of the first to utilize the Training Within Industry program of the War Manpower Commission during the war and is continuing during peacetime courses in job instruction, job methods, and job relations.

It will require time to determine how effective this experiment will prove, since results will appear over a period of time in which matters of grievance may arise between workers and supervisors. At the opening session the stewards and training depart-

ment representative introduce themselves and give resumés of their years of experience with the company. At that meeting they are given a card listing six basic needs of a steward. These are: (1) Knowledge of work; (2) Knowledge of responsibilities; (3) Thorough knowledge of labor contract and proper procedures; (4) Skill in instructing; (5) Skill in improving methods; (6) Skill in leading.

A short outline of "How to Handle a Problem" is likewise presented. This stresses the importance of: (1) Getting the Facts—to find out what rules and plant customs apply, to talk with individuals concerned, getting opinions and feelings; (2) Weighing and Deciding—to fit facts together, consider their bearing on each other, what possible actions there are, to check practices and policies, and consider objective and effect on individual, group, and production; (3) Taking Action—to consider if time is right and if assistance of a superior is required; (4) Checking Results—to know the right time to follow up, and to watch for changes in output, attitudes, and relationships. Four admonitions accompanying this outline are: "Be sure you have the whole story," "Don't jump at conclusions," "Don't pass the buck," and "Did your action help production?"

Though stewards are sometimes a little wary of the whole idea when they meet for the first course, they soon get into the spirit of the program when they realize that the company is not trying to put something over but is merely convinced that the steward is an important cog in the program of human relations with workers. They are given the opportunity to present problems which have arisen and are asked to consider cases which have

come before other stewards, all with the aim of increasing their efficiency in coping with such problems and achieving better cooperation between them, their fellow-workers, and supervisors. At a special meeting at the end of the five sessions, the stewards are presented with a Certificate of Completion of Training Course, presented by Mr. Zulauf or Frederick B. Klein, company president.

A system in effect at Alexander Smith & Sons for some time and satisfactory to both union and management is that of grievance procedure which removes power of discharge from supervisors in favor of a hearing before a higher official. A worker is issued a warning slip and suspended until the hearing at which he is represented by his steward. A stenographer is present to take down the testimony. If the discharge is carried out and the worker is dissatisfied, it goes before a higher company official, and may go on until reaching the president. However, this has never happened.

A warning slip may be issued, also, for a minor offense not calling for discharge. Unless the worker feels he is

treated unfairly, the matter is dropped and the warning stands against his record but for only one year. These slips are important because the layoff procedure provided for in the union contract is based on a combination of service and ability rather than seniority alone. Warning notices do not affect credit for length of service.

All employees are scored on quantity and quality of work, attendance, and attitude. The quantity rating can be raised by a productive worker, and though quality, attitude, and attendance cannot be raised, they can be lowered when warning slips are issued and entered against a worker's record. Seniority and rating score are combined when layoffs are necessary, and workers with the lowest combined scores are laid off first.

The place of the shop steward is an important one in this unique system of warning of disciplinary action, and it is to make the stewards understand the need of efficiently dealing with grievances of workers that the course has been instituted.

Mill & Factory, August, 1946, p. 123:2.

"Information, Please"

AT the Le Tourneau Company of Georgia, Toccoa, Georgia, supervisors are giving active support to employee opinion surveys conducted by the company.

A committee of supervisors assists in preparing the questions for the survey. Simple questions which are easily understood and have a direct bearing on company conditions are used. Typical question is "How do you feel about your job?" Others relate to working conditions, supervision, wages and hours, and company policies and practices.

Employee opinion questionnaires, limited each time to only one or two questions, are called "Information, Please."

Supervisors are also represented on the committee which checks the returns of the questionnaires and works out corrective measures. At Le Tourneau the findings of "Information, Please" questionnaires have become the basis of supervisory training programs.

—*Management Information* 5/13/46

-
- A TWENTIETH CENTURY FUND survey estimates that average working hours in 1950 will be around 41 hours a week; in 1960, around 38 hours.

Trends in Employee Informational Programs

THROUGH channels never used before, intensified efforts to keep production workers, office workers, and supervisors informed on basic problems of industrial corporations are being made by management, a survey by *The Journal of Commerce* indicates. The aim is not only to indoctrinate all strata of employees with management's basic objectives, but also—by removing the cause of widespread employee complaints against the failure of corporations to make known their current status, future outlook, policy changes, etc.—to improve morale and individual productivity. With emphasis placed on the use of various types of company publications, trends in getting the facts to employees, as disclosed by the survey, include the following:

1. Informational programs of an integrated nature are being established. In addition to the house publications, letters and questionnaires are being addressed to employees' homes by company presidents; supervisors are being given "inside" or advance news through similar messages; financial reports are being issued to employees; community newspapers are carrying institutional advertisements which explain company policies and problems.

2. A specialist is sometimes placed in charge of all programs for keeping employees informed. Such specialists report neither to the public relations department nor to the industrial relations department, but maintain close liaison with both departments. Westinghouse Electric was one of the first to establish an employee informational department.

3. To maintain two-way informational channels, increasing emphasis is being placed on questionnaires, polls,

and other means of testing employees' attitudes toward the company and its policies. The ascertainment of such attitudes is extremely useful in establishing company personnel policies, as well as in determining the type of informational program which will prove most effective.

4. Employee publications are being produced for specialized groups, whereas formerly all categories of workers received a single publication. Thus, General Motors has an executives' bulletin; bulletins for supervisors; *G. M. Folks*, which goes to all factory workers; and individual plant publications.

To fill the last gap in General Motors' chain of house organs, a new publication, called *As a Matter of Fact*, was recently issued to salaried workers.

In the earliest issues of this periodical, attention was directed to General Motors' strike issues and fallacies in union demands. The latest issue, under the heading, "What About Production?", gives data on car output.

The publication also summarizes what management achieved in resisting the union's demands. A preliminary questionnaire showed that over 92 per cent of white-collar workers at General Motors were in favor of the information service before it was launched.

5. Plant publications are being utilized for specific morale-building purposes. Where lowered morale is noted because of materials shortages, the company attempts to analyze the outlook for improvement. More data is being presented on company expansion programs, new products, etc.

6. A "president's column" is regarded as a valuable means for personalizing management and carrying

news to employees in the plant publication. Such columns are usually of an editorial nature, but the basic aim is to humanize the top executive and to bridge the gap between management and the production worker.

7. A weekly or monthly column

which explains the status of grievances is another morale-building feature. Such a column has been used successfully by the Goodyear Tire & Rubber Co.'s publication, *The Wingfoot Clan*.

The Journal of Commerce, May 7, 1946, p. 1:2.

Training Future Executives

TODAY industry has a golden opportunity to take inventory of its present executive manpower—to rebuild its personnel structure in the light of future requirements. Achievement of this objective in a competitive market, however, requires a program that will challenge the interest of qualified, capable men.

The approach to this problem made by the National City Bank of New York points up the job's importance and offers ideas of value to other organizations, large or small. Study of the bank's current personnel situation revealed two important facts: (1) The depression and war years had made it impossible for the organization to offer much opportunity to a sufficient number of promising young men. As a result, it was decided that analysis of administrative personnel requirements would reveal future vacancies that the personnel department should be providing for now. (2) The bank had an important responsibility toward its own and other veteran employees in their rapid reestablishment in positions they would have held had they not been inducted into service. Achievement of these objectives required a survey of the organization's needs and an additional general executive training program geared to fit those needs and designed to challenge the trainee.

Under the supervision of the personnel committee, a six-week personnel inventory was conducted to determine:

1. Executive requirements for the next 10 years due to expansion, retirements, and maintenance of contingent reserves.
2. The amount of trained, junior executive manpower on hand, returning from service, or available from these sources for further training, to fill the anticipated needs.
3. Future quality vacancies for which no men had been earmarked or trained.

The results of this survey revealed a definite number of vacancies available during the projected period for personnel possessing executive qualifications. Despite obvious obstacles inherent in the program, the committee approved the findings, authorized establishment of an "emergency" training program, and provided the support of top management for the indoctrination of middle management. At regular and special meetings throughout the succeeding month, the president, vice president, and cashier carried the program's objectives to the staff officers, branch managers, and head office operating departments.

The personnel department budget for trainees' salaries was discarded in favor of an outright assignment of new employee-trainees to a department where the survey indicated a vacancy.

The selection of trainees and operation of the training program itself thereby became a closely-knit cooperative venture between the personnel department and the other departments in the bank. These other departments (head office operations, comptroller's, bond administration, and branch organization) absorb the trainee's salary, assign a junior departmental officer to the trainee as an adviser "godfather," and reassign the trainee to the personnel department for training.

For every new veteran employee assigned to a department, a non-veteran or returned veteran from that same department is also assigned to the training program, thus balancing the trainee personnel. It is anticipated that this departmental assignment will also serve to reduce the trainee mortality rate by supplying a more definite training objective.

Emphasis has been placed upon the need for a vital program of training that would operationally qualify men in terms of future needs for executive personnel. Tailor-made to suit the individual trainee's experience and knowledge, the maximum training period of 18 months is divided into five training units. Four of these units—branch operation, credit, comptroller's, and head office operating departments—are of three months' duration, whereas a six-month period is devoted to training in the bank's extensive foreign department. Trainees are rotated between these departments, careful scheduling being required to prevent overburdening. Not more than 60 men will be allowed to participate in the program at any given time.

To offset the bad features of the rotation system and increase the trainees' interest, a series of weekly meetings (from 4 p.m. to 5:30 p.m. Thursdays) has been established. At these meet-

ings, in the presence of trainees, officers of the department to be discussed, members of the speakers' department, and representatives of the personnel department, one trainee each week who has concluded his work in one of the five training units delivers a one-hour talk and answers questions from the floor on the work of that department. Knowing that a trainee's work in the training unit can be readily appraised by such a meeting, the organization feels it has attained a sound test by the requirement of these sessions. In addition, these meetings serve as a teaching guide to other trainees. Dinner conferences were discarded in favor of daytime hours because of the availability of more officers, and to keep the training program on a strictly working-hour basis.

To enable the trainee-veteran to adjust his personal affairs before taking courses at the American Institute of Banking or at local colleges, evening study courses were postponed until fall. A bibliography of books for individual study is made available to all trainees.

Insofar as an applicant's qualifications are concerned, importance is placed on evidences of the individual's interest in banking and assumption of responsibility in school, interim civilian occupations, and armed forces experience. However, such intangible qualities as character, personality, and perseverance are emphasized over banking and armed forces accomplishments. In fact, earnest effort is made to de-emphasize service connections and achievements.

Screening of present personnel, returning G. I. bankers, and new veteran employee applicants for the program is handled cooperatively by the personnel office and the department for which the applicant is being considered. Though

college degrees predominate among trainees, a degree is not essential. For certain departments, however, a knowledge of some specialized subjects may be necessary. The age limit is 35, and the average age of the present trainees is 28-29. The salary scale for the trainee is commensurate with the individual's background, current position and responsibilities, and is at a level high enough to attract the men desired.

At the start of the program six months or so ago, the organization considered steps that might be necessary to attract highly qualified applicants to the banking field. However, many more qualified men have applied than can possibly be absorbed, and the fast tempo of demobilization has put the program considerably ahead of its schedule.

By KENNETH W. McLAREN, *Banking*, June, 1946, p. 73:2.

Making the Bulletin Board an Effective Medium

RECOGNIZING the industrial bulletin board as an excellent stage from which to present the company story and to establish daily and continuous contact with employees, the advertising and industrial relations departments of Continental Can Company cooperated to develop a uniform bulletin-board program for use in all company plants.

The program called for a bulletin board divided into two panels—each 22 by 29 inches. Wood frame and panel partitions are faced with stainless steel snap-on molding. The tack-on surface is cork.

A comprehensive procedure manual, which was distributed to division managers, factory managers, and to the local manager of industrial relations at each plant, was prepared, summarizing the general purposes served by industrial bulletin boards and explaining the stages in the development of the board which was adopted as standard equipment.

Recommended locations for the boards were to be such that each employee in a department—without deviating from regular paths of travel—passed one or more bulletin boards during the workday.

Standardization required replacement of many boards from which full service had not been realized. Some of these glass-enclosed display cases were used to frame permanent posters and messages (company and plant rules, insurance information, labor regulations, etc.) which should not be displayed on departmental boards. Others were utilized for departmental product displays and exhibits of spoilage and customer complaints.

The panel at the right side of the board is used for local plant postings. The display area is sufficient to accommodate four 8½ by 7¼-inch sheets, without crowding—more than the daily output of notices in the average department. Directions for arranging materials to insure immediate identification of new postings are outlined in the procedure manual. Also included are suggestions as to types of material which attract workers to the boards.

The panel on the left side of each board is reserved for display of a new poster every two weeks. Posters are produced by the advertising department and are usually in four or more colors. Subject matter is determined through conferences with executives of the various operating departments of the company. Twelve subjects are designated for each series, but the program is of sufficient flexibility that, should an urgent problem arise, a poster covering the subject can be added to the schedule at any time.

Poster messages must be terse and striking—to create an impression rather than to carry a conviction. It is unusual for people to stop and read an extended message or argument in a poster. Yet making the average person conscious of a recommended practice, or creating in his mind the impression that it is widely used, is frequently more effective than seeking to convince him by argument. But, since impressions are fleeting and memory is short, the poster message should be repeated again and again.

—*Executives Service Bulletin* 4/46

Management's Reactions to Employee Opinion Polls

ONE of the most effective tools for uncovering the true sources of worker dissatisfaction is the so-called "employee opinion poll" or the "employee morale survey." Any organization which is genuinely interested in building and maintaining good employee morale should, at intervals, obtain a measure of its employees' attitudes by means of one of these polls. The employee opinion poll consists of a series of questions which are asked of workers on the job to determine what they like and dislike about their working conditions, supervision, management policies, employee services, rates of compensation, and their attitudes toward top management.

Opinion polls bring the principal sources of employee dissatisfaction to the attention of top management, enabling it to take steps to eliminate grievances and to seize the initiative in counteracting their effects. They also locate those sore spots in the company organization which require immediate corrective attention.

The major resistance to the use of employee opinion polls arises not from employees or labor organizations, *but from management itself*. In view of the contributions which the opinion poll can make to employee morale it is, at first glance, curious that top management should so heavily resist its use. Actually, however, the explanation is relatively simple: For all of their prestige and authority, members of management are frequently extremely insecure individuals.

Many are surprisingly lacking in self-assurance, cannot seem to get the feeling of being on top of their jobs. Some maintain this attitude consciously; others are so beset by anxiety

that they cannot face their weakness and must repress the entire conflict. In view of this, they dare not approve the use of such an instrument as the employee opinion poll, which might reveal their own shortcomings. Unfortunately, these polls often do reveal conditions which management prefers not to face. Furthermore, the very act of soliciting employee opinions also commits management to correct unsatisfactory conditions that otherwise would not demand constructive action. Typical of the disorders an employee poll is apt to reveal are: poor operating methods, undesirable working conditions, weaknesses in supervision, inconsistencies and inequities in company policies, and hostilities toward top management itself. Inasmuch as many of these reflect directly on management's competence, many executives are understandably reluctant to have them brought to light.

The most common reasons advanced by management for refusing to permit employee opinion polls to be conducted are:

1. The poll will "suggest" dissatisfactions, thus *creating* poor morale and ill-will toward the company.
2. The conduct of the poll will upset employees emotionally, distract them from their work, and result in much discussion of these matters both on and off the job, to the detriment of operating efficiency, and the loss, directly and indirectly, of production time.
3. Many employees will refuse to answer questions or will give invalid or irrelevant responses.
4. The airing of issues such as those covered by an opinion poll will

give the unions ammunition with which to attack the company and may even lead to open outbreak of labor troubles.

Actually, none of these criticisms is likely to be valid. Results of numerous well-administered polls, conducted in both large and small organizations throughout the country, indicate that none of the conditions which management fears have developed. Specifically, the experience of many companies substantially refutes management's criticism:

1. *That polls create dissatisfaction.* This argument has been proved false by two factors: First, it is almost always found that there are marked differences in the kind and degree of dissatisfaction found in various departments. If the poll itself were creating this dissatisfaction, there would be a much greater degree of uniformity. Second, a further more detailed investigation of the dissatisfactions voiced in the poll has revealed, in almost every case, that *they actually exist*. In short, the polls bring out only genuine dissatisfactions which already exist and do not cause employees to imagine new ones.
2. *That polls require too much time and distract employees.* Even the lengthiest polls require 30 minutes or less to explain and administer. Rarely is there much discussion after the poll has been conducted. The fact that the employees have had an opportunity to air their dissatisfactions has the effect of reducing existing emotional tensions.
3. *That employees will not answer the questions or will give irrelevant responses.* If the purpose

of the poll has been sufficiently explained in advance, less than one or two per cent of the employees will give "smart aleck" responses, and practically none will refuse to answer. Irrelevant and "smart aleck" responses, in themselves, are an indication of serious hostilities toward, or distrust of, management.

4. *That they will lead to outbreaks of labor troubles.* Opinion polls are ordinarily not discussed with the union in advance of their administration. In the author's experience, no reluctance has been encountered on the part of union members to answer the questions, nor have unfortunate consequences resulted from the administration of the polls.

Since the true source of management's resistance to opinion polls is its own anxiety, the only sure way to overcome it is to allay management's fears for its own security. Four methods have proved helpful in dealing with this problem:

1. *Management should confer with executives of other companies that have conducted these polls successfully.* It is particularly advantageous to arrange contact with companies that have conducted not one, but a series of opinion polls, because this practice tends to give clear evidence that the polls are not only "harmless," but actually contribute information which is helpful.
2. *All members of management should be assured that the findings will be handled confidentially.* If conditions are unusually bad, none but top management need know the extent and causes of employee dissatisfaction. In this manner, management will be enabled to save face, while at the same

time the findings may be employed constructively.

3. *Where the poll is recommended by an outside consultant, he will accept the responsibility for the effect of the poll upon the employees.* If he is willing to stake his reputation upon the outcome of the poll, management can be fairly certain that a dependable consultant will "deliver the goods."

4. *Sometimes the trial of a poll in one department on a pilot basis will demonstrate the value of making a complete study.*

In actual practice there is only one danger associated with the use of employee opinion polls. This is the failure of management to do its part in the correction of conditions revealed by the questionnaire. Frequently, a poll of this character brings out conditions which are either embarrassing to management or present it with rather difficult problems. *It is imperative,*

however, that management, if it is to hold the confidence and respect of its employees, take action. If the issue is dodged, and no action taken, management will be doing itself a great disservice; not only will the initial cause of the dissatisfaction remain, but a new ground for distrusting management will have been established. The employees will feel with justification that the company's officials have acted in poor faith.

If, on the other hand, executives will be honest with themselves and with their employees and make a genuine effort to ameliorate the conditions uncovered by the opinion poll, or, if this is not possible, have a frank and open discussion with the men and women involved, explaining why changes cannot be made, the results cannot fail to be rewarding.

By ROBERT N. McMURRY. *Journal of Applied Psychology*, June, 1946, p. 212:8.

Planning Christmas Activities for Employees

NOW is the time to decide what employees will enjoy doing as a group during the Christmas season. Activities need not fall into the pattern previously used. It might be well to plan different events for this Christmas, or to expand established activities with new ideas. For example:

Company Parties: If entertainment is part of the affair, it can be recruited from the employees or can be professionally arranged. If plans include the use of professional entertainers, booking should be made now so as to secure a better choice. Professionals can be secured for as little as \$50. Committees should be appointed now to take over the following details: location, decoration, music, entertainment and publicity.

Departmental Parties: This popular type of Christmas party is usually planned by the employees within the department, needing little supervision. The Recreation Department can assist by supplying simple party ideas, recordings, etc.

Special Christmas Music: A small musicians group, not over 16 in all, can provide carols; the instrumental group accompanying being composed of two or three violins, a string bass, and accordion.

Childrens' Parties: Some companies make much of the employees' children at Christmas time. Santa is on hand to see that every child receives some gift plus a bag of goodies. Special entertainment—clowns, marionette shows, etc.—goes over big.

Religious Services: To provide a contrast from the usual hilarity, some companies hold a simple religious ceremony during the last lunch period before Xmas.

Check these items now: Arrangements of Christmas trees, including the official company tree. Check last year's supply of ornaments and lights. For the parties, be sure that the entertainment is appropriate, adequate, and obtainable. Gather together some party "kits" containing the necessary "props" for standard tried-and-true party stunts. Arrange for as much Christmas music as possible.

—Idea Clinic (Industrial Recreation Assn.)

Production Management

Labor's Attitude Toward Wage Incentives

UNION leaders, in justifying labor's opposition to wage incentives, generally stress instances of unfairness, inequities, and complexities of plans in operation.

One of the most widely expressed objections involves the fear that increased productivity, whether through a technological change or an incentive plan, may mean fewer jobs. The war-time manpower shortage deprived this argument of much of its force, but it is likely to reappear if unemployment increases. The counter-argument that increased productivity eventually will create more jobs apparently does not convince the individual worker. However numerous jobs may be, lack of provision for a worker displaced as a result of increased productivity seriously impedes labor's endorsement of wage incentives. This fear of unemployment is evidenced in widespread employee distrust of anything "new" or "different" in industrial management and methods.

Labor also claims that some incentive plans are used to support a low level of basic pay. Under present wage stabilization regulations, this objection has lost considerable significance, since guaranteed basic hourly wages must be within the rate pattern of hourly wages prevailing in the local area and industries. With the removal of wage controls, however, incentives in some instances may again be used in lieu of rises in basic hourly rates. Companies that have eliminated this objection in

the past have maintained a clear distinction between basic wages and incentive pay. Whether management will ever be able to decrease wages to lower costs is problematical. Some executives, however, have demonstrated that the most efficient industries maintain high hourly rates. These companies recognize that the wages paid are not so important as unit labor costs.

A related objection is that wage incentives are sometimes used by unscrupulous and uninformed employers as a labor-driving device. Wage incentive plans have proved mutually satisfactory in companies which recognize the delicate and intricate nature of the plan and the time and patience required for its installation and administration. Application of this knowledge tends to eliminate labor-driving aspects of incentives.

An underlying, yet rarely advanced, reason for labor's opposition is that the more directly the worker controls the amount of compensation he receives, the less need he is likely to feel for union assistance. Some labor leaders, however, do not regard this as a sound reason because they feel that union assistance is needed to secure higher base rates and that when base rates are raised or lowered, incentive rates are equally affected.

While objections to wage incentive systems have not decreased in intensity, recent trends indicate they may be overcome by a plan that meets union requirements. A resolution passed by

the executive board of the United Automobile Workers (CIO) reaffirms the UAW's traditional opposition to incentive systems but provides for specific approval following submittal of the plan by the local to the international union's engineering division. Plans submitted would be judged according to the following minimum requirements established by the executive board:

1. No wage incentive system shall be applied before it has received the approval of the membership of the local union or plant unit and of the international union.
2. The local union or plant unit operating under a wage incentive system shall retain the right at any time to eliminate such a system when it has become apparent to the union that such a system is failing to secure the objectives for which it was established.
3. In the event any UAW plant now operating on a day-rate basis shall convert to an incentive system, guaranteed hourly base rates under such a system shall be no less than the previous hourly day rates in all classifications.
4. Incentive payments above the base rate for all productive workers shall be in direct proportion to the increase of production above the previously established normal standard. Incentive shall be computed on an hourly or daily basis.
5. Base rates and production standards shall remain unchanged, except when, in the opinion of the union and the company, substantial changes in product, methods, or equipment shall have taken place.
6. Some methods of participation in incentive earnings must be insured for non-production workers as well as direct production workers. Such participation, however, must not be at the expense of earnings to be received by production workers.
7. The introduction of incentive systems must be restricted to plants now able to assure either full and continuous weekly employment or a guaranteed weekly wage equal to 40 times the basic hourly rate.

Other unions also are willing to ac-

cept wage incentive plans with specific restrictions. Some assert the right to police the administration of the plan to avoid any possible exploitation of their members. A number of labor leaders go further and request the right to participate on an equal basis with management in installation and administration of production standards. This type of request usually raises the question as to whether labor should share in establishment of operating policy or whether it is exclusively a management prerogative. Whatever the answer, some companies have complied with the request and trained union time-study stewards. One such company claims that union grievances over rates were reduced to 1 per cent of the previous amount, and that these results can be attributed to the fact that employees have confidence in the union's time-study stewards. There is little doubt that unions are partial to this type of participation. Whether it will become more widely accepted may be governed by many factors, particularly management's eagerness to share this responsibility and the willingness of labor leaders to cooperate wholeheartedly.

One segment of management feels that the strongest basic defense against attacks on incentives is a greater realization—particularly by labor—that the best assurance for high-volume production, continuity of employment, and a high standard of living is the ability to maintain the lowest possible prices along with high purchasing power. These executives—claiming sound wage incentive plans are justified because they directly increase production and lower costs—emphasize the need for management to make every effort to dispel the worker's fear that his job will not be secure under incentives. A wage incentive plan may work either as a constructive force for increasing

production or as a means of disrupting labor relations and lowering production.

Discussion of this problem with experienced industrial engineers has produced the following recommendations, adoption of which may cause many of labor's present objections to wage incentives to lose their significance:

1. Make incentive pay objectives proportional to the opportunity for accomplishment.
2. Do not tamper with the true objectives of a wage incentive system. The commonly accepted objectives are: (1) to pay workers in some degree for accomplishment rather than for the time spent at work; (2) to effect substantial decreases in the unit cost of production and permit substantial increases in wages.
3. Administer the wage incentive fairly. Avoid being swayed by accidental or temporary circumstances.
4. Keep production standards on a reasonable, uniform level, independent of past performance. Make no changes unless the necessary work requirements are changed. Give unions opportunity to understand such changes and allow them the right of appeal through grievance machinery. Establish the production standard as the amount of work performed per unit of time by a normal, qualified operator under normal conditions. Develop standards by a trained analyst, capable of sound judgment and effort rating, based on calculated time study where practicable. Protect time-study men against pressure by management or labor to bias their investigations.
5. Never guarantee or limit incentive awards. Base them on a sufficient, but not excessive, additional pay over and above the hourly rate considered adequate for daywork pay. Allow the worker to benefit according to his individual ability and willingness to apply himself.
6. Protect incentive systems against uncontrollable losses of time, but do not pay for idle time.
7. Keep all procedures related to incentive pay as simple as possible and be sure they are thoroughly understood by all concerned.
8. Obtain real agreement between management and labor before adopting or modifying an incentive plan.
9. Do not install an incentive plan simply to give increases in pay, unless there is a proportionate increase in production.
10. Keep temporary standards to a minimum and be certain it is understood by all that they are only temporary.
11. Before installing a wage incentive plan, make sure it is founded on properly evaluated basic wage rates. Proper job evaluation will appraise the normal effort on each job, and the more difficult and important jobs will be paid proportionately more than those of a less difficult nature.

BY RUSSELL A. HEDDEN. *The Conference Board Management Record*, August, 1946, p. 265:3.

Living Monuments to War Dead

LIVING and useful monuments to the dead of World War II are rising in scores of plants, instead of cold, formal plaques mounted in reception rooms and front offices.

Typical of such memorials is the grove in front of the Painesville, Ohio, plant of Industrial Rayon Corporation. At this, as well as the Cleveland and Covington, Va., factories, trees have been planted in honor of each employee who lost his life in service.

Other living memorials already dedicated or projected include first aid or hospital facilities, libraries, scholarships, recreation rooms, parks, swimming pools, playgrounds. They are financed by companies, by employees, or by pooled contributions.

But they are all useful, practical, living—and contribute equally to good employee and community relations.

—*Modern Industry* 8/15/46

Improving Maintenance Work

THIS is a case study of maintenance reconversion at the Arvida Works, Aluminum Company of Canada, Ltd., which may point up ideas for the solution of similar maintenance problems by other firms. Arvida's attack on the problem followed several definite lines:

1. Identifying the chief causes of high maintenance cost and setting up means for effectively getting these costs back in line.
2. Preventive maintenance through scheduled plant inspections of apparatus and equipment, with follow-up.
3. Improvement of methods and practices of maintenance crews.
4. Review of the storeskeeping of maintenance supplies to revise order points, requisition routines, and material controls.
5. Review of the organization of maintenance work, both in its relation to the operating departments and in its internal structure.
6. Setting up of budgets to reflect the "should cost" for maintenance work, and of executive reports to give top officials records of performance against budgets and other standards established.

Eliminating Basic Causes of Maintenance.—To eliminate breakdowns at their sources, it was necessary to identify the principal causes of high maintenance, analyze the fundamental ones, and effect solution through mechanical redesign. This included estimating potential improvements in costs and the man-years of mechanical engineering effort necessary to achieve these improvements.

These studies indicated that potential annual savings exceeding \$100,000 through application of mechanical engineering effort existed in the two larger plants alone and also demonstrated the need of organization to conduct such work. To accomplish this, an engineering function was set up in the

mechanical department, with the head reporting to the department superintendent.

Inspection.—The mechanical inspection function was decentralized and placed under the maintenance supervisor. The inspectors' work is now studied and guided by an inspection specialist in the engineering section of the mechanical department. Paperwork was greatly reduced, inspection cycles were lengthened in some cases, and a reduction in inspection personnel was accomplished through better utilization of the men.

Planning.—Analysis of the work of maintenance crews revealed a substantial proportion of repairs were of a highly repetitive nature, and specialized crews were set up to handle these on a routine basis. However, to control labor efficiencies of the crews on varied work, planning with the Gantt Chart was instituted. As planning data were accumulated from experience and time studies, considerable increase in efficiency was attained. Improvements resulted from closer check on worker efficiency by foremen anxious to meet schedules, elimination of frequent shifting of men from jobs not completed, successful pressure on operating departments to give as much advance notice as possible on repair work.

Methods Committee.—It was impossible to assign an industrial engineer to each plant, because the industrial engineering department could not be effectively expanded in time. In each plant, Methods Committees were formed—including the plant maintenance supervisor, the assistant superintendent of the mechanical department in charge of engineering, the time-study supervisor, and a senior in-

dustrial engineer from the industrial engineering department, who acted as chairman.

All-day time studies were taken on crews for the purpose of providing planning data, of ascertaining labor efficiency, determining the most efficient manner of organizing the work and men, and analyzing the methods. To give the Methods Committees a picture of how the work was being performed, time studies were compiled to show the comparative distribution of working time for three-man and two-man crews.

As a result of this work, many changes were effected in methods, crews, fixtures, tools, and routes. In some plants, the lubricating crews were reduced by 50 per cent, with lubrication effectiveness maintained or improved. In practically every series of operations studied, improvements of 30 per cent or greater were realized.

After the new method was tried and proved, standard practices were written by the committee chairman and approved by the mechanical department supervisory group, describing in detail the operation, the size of crew and labor grades of the individual members, the tools and equipment required, and the standard times for the operation. Any changes in these standard practice instructions must be approved by the assistant superintendent and superintendent before being put into effect.

Storeskeeping.—Wartime plant expansion, plus the necessity of guarding against stoppage of production, had created a need for greater inventories than would normally be carried. In addition, there were by-products of the all-out war effort—unidentified materials, obsolete materials, etc. All stores material was divided by the committees into the following three

categories: items to be (1) kept regularly in stock; (2) kept but not re-ordered; (3) liquidated. The stores committees established provisional order points for all items. Determination of these order points required collaboration between the organizations using the material and those storing it. Knowledge of previous rates of usage, expected rates of usage, interval required to secure an additional supply, and other information such as condition of the equipment entered into the determination of the order point.

Organization.—Certain changes in the internal structure of the mechanical department seemed advisable. The plant engineer, whose sole responsibility was the maintenance of some operating plant, stood three organizational levels below the operating superintendent. Since this disparity in rank had certain obvious disadvantages, a new job title of maintenance supervisor was established, reporting directly to the maintenance assistant superintendent.

Functions of pipefitters and welders—centralized during the wartime shortage of trained skills—were decentralized and placed under the maintenance supervisors. The engineering section of the organization—staffed with specialists in materials, welding, pipe-fitting, lubrication, and design—provides:

1. Higher utilization of specialized skills and engineering talent.
2. Removal of engineering responsibility from the maintenance supervisor, allowing him to concentrate on supervision and planning of work.
3. Control of equipment charges to eliminate basic causes of high maintenance cost.
4. Instructions for operation and maintenance of building service equipment.
5. Inspection standards and functional supervision of plant inspectors.

Accounting.—The shift of repair and maintenance work to the mechanical department necessarily involved an associated transfer of responsibility for repair and maintenance costs.

Accounts were provided for use by the mechanical engineering group for charges incurred in experiments to improve maintenance. The experimental account does not appear in the budgets of the maintenance supervisors. Ultimate accounting distribution of these experimental charges is to overhead or to product, depending on the details of the charges.

Budgets.—Budgets were set for each maintenance supervisor, covering all costs for which he alone was responsible. It had been past practice to set these budgets on past performance. At the conclusion of this reconversion program, it was possible to set budgets based on engineering data for all operations reviewed by the Methods Committees. By comparing these engineering standards with actual records for the same operations, a factor was obtainable which would indicate the improvements possible on the operations not yet studied. Budgets for operations not covered by the Methods Committees' studies were set in this manner. Periodic adjustments are made to these budgets as

more engineering data become available and as changes developed by the engineering section of the mechanical department to reduce maintenance costs are effected.

Executive Reports.—These included graphic presentation of mechanical maintenance costs per unit of production in all plants; cost of maintaining yards, buildings, and equipment; trends in mechanical department overhead; performance against budgeted expense; workload; inventories of spare parts; and trends in mechanical department forces. In addition, each maintenance supervisor presents a monthly report to the superintendent, showing the main causes of maintenance, as well as progress reports.

As a result of maintenance reconversion, the number of maintenance men has been reduced by almost 30 per cent—making due allowance for change in level of operation, and the company is confident that further reductions will be forthcoming. Arvida has re-established inventory control for spare parts, revised the organization to achieve optimum maintenance effectiveness and given management the controls necessary to follow the workings of the department.

By HOWARD A. ESTABROOK. *Modern Management*, July, 1946; p. 7:4.

Insuring Use of Surplus Equipment

BY exercising a centralized engineering control over the movement and disposition of all surplus, idle, and obsolete machinery and equipment of its more than 25 manufacturing plants throughout the country, the United States Rubber Company has obtained many benefits, such as

1. Saving in capital expenditures through the transfer of unused equipment from

one plant to another instead of purchase of similar new equipment.

2. Provision of spare equipment or parts for breakdowns or emergencies.
3. Utilization of inactive equipment for experimentation in new processes or improvement of existing processes.
4. Reduction of idle equipment to a moderate level of investment, also prevention of undue accumulation of obsolete equipment.
5. Higher salvage returns.

To illustrate the scope and value of

this plan, transfers in machinery and equipment among all the company's plants from 1929 to date have amounted to more than \$10,000,000. This represents equipment value at time of transfer. In 1945 alone, sales of surplus machinery and equipment ran well over \$200,000.

Operation.—As a preliminary step, all company machinery was appraised, set up in the subsidiary accounting records at each plant, and physically identified by appraisal tag numbers. The subsequent operation of the plan is as follows:

1. Every piece of inactive machinery or equipment is reported by the local plant to the central office and classified into one of two asset accounts, representing the following categories:

Class 1 (inactive usable).—Machine is still of possible value to the local plant which has reported it, and is to be kept there for further possible use. Light machinery might be moved inexpensively to storage space, but heavy machinery is left undisturbed to avoid unnecessary handling costs.

Class 2 (inactive unusable).—Machine is of no further value to the local plant, but has a possible value for transfer to allied plants or for sale in the used machinery market. It is moved to storage space, or left in place if removal is difficult, until its final disposition is determined.

Class 3 (scrap).—Machine is unusable and has no resale value. The local plant's salvage department is instructed to remove all good usable parts, and the remainder of the machine is broken up for consignment to the junk pile. Junk is disposed of when economical lots become available. (Classes 2 and 3 are two components of a single account.)

2. When equipment has been delegated to Class 1, it is listed by the central engineering department in a special record of surplus equipment. This department is constantly receiving inquiries from all plants for specific machines, motors, and service equipment, as well as for appropriations for new equipment. It thereupon consults the

Class 1 list for idle equipment of suitable specifications, and, if the desired equipment can be located at any plant, the holding plant is asked for a release. Occasionally, such a release is not obtainable because of changed conditions indicating probable re-use of the equipment by the holding plant. When this occurs, the local plant has prior claim, and the list is corrected. If, however, a release can be given, arrangements are made to transfer the item from the holding plant to the inquiring plant.

3. When equipment is declared as Class 2, the local plant reports to the central engineering department the exact location of every item, its appraisal number, description, date of acquisition, reproduction value, provision for depreciation, and—where possible—whether the unit is in good, fair, usable, or poor condition. The local plant thereupon surrenders all claim as to how the item is to be disposed of and awaits instructions for disposition from the central engineering department. Every effort is made to use such equipment within the company. To this end, a special list of the major specifications of Class 2 items is distributed to the planning and engineering departments of each plant which might have use for such items. A stated time, usually three weeks, is allowed for the plants to check over the lists and make their wishes known. All items a plant can use are transferred to it by an established procedure of transfer orders.

4. For machinery or equipment that finds no demand within the company, detailed specifications are circularized to other possible industrial users and to dealers in used machinery. Machines are sold in most instances "as is, where is" for the best negotiable price consistent with government regulations. Items for which no satisfactory bids are received are held in storage

and reoffered in six months. All unsalable items are transferred to Class 3 and disposed of as scrap,

Holding idle equipment to a minimum.—Any tendency toward accumulation of idle equipment in Class 1 by any plant is counteracted by several routine procedures. In many plants an itemized list of all equipment previously declared as Class 1 or 2 is prepared monthly or quarterly by the control manager of the local accounting department. This list is circulated in part to the local factory manager and plant engineer, and also distributed to interested central office staffs, including the central engineering department. Items fully depreciated are starred for attention. A summary sheet is attached to show the total gross value of all items in both Class 1 and 2. On this sheet is a request to the local plant engineer to review all items in Class 1 for possible transfer to Class 2. Besides stimulating local action on items in Class 1 and 2, the list is of obvious value to the central office staffs in reviewing the nature of these items and checking for their possible disposal. When items appear repeatedly under Class 1, for example, it indicates they are probably no longer of use to a local plant and should be transferred to Class 2 either for possible service elsewhere or for "salvage" disposition. The local plant is queried as to the possibilities.

Also to keep a moderate and judicious level of idle equipment, each plant conducts an annual audit whereby, under a rotating selective check of machines and equipment in one or more departments, it uncovers any items it has no further use for and should transfer to Class 2 or 3, as the case may warrant. This procedure is followed whenever a change in manufacturing methods has made equipment idle.

Centralized control.—An important function of the plan is the centralized control over disposal of all equipment. Prior central office approval is required for assignment to Class 2 of any equipment that carries a net book value over \$500 and likewise for assignment to Class 1 of any item whose removal, placement in storage, etc., would involve an expenditure in excess of \$500. In addition, the disposal of all Class 2 equipment is the sole prerogative and responsibility of the central engineering department, which operates a subsidiary "transfer and salvage" department.

It has been repeatedly demonstrated that the central salvage engineer, with his country-wide knowledge of the used machinery and scrap market, has been able to sell Class 2 equipment at substantially better prices than could be obtained locally by each plant. As a by-product of excellent relations with prospective purchasers, he frequently receives market lists of available items, which reveal valuable sources of supply for hard-to-get or hurriedly needed equipment.

The central salvage engineer maintains a ledger in which all sales are entered by plant locations. Each entry shows date of sale, to whom sold, name of unit, appraisal number, amount received, and the number of the plant transfer order which recorded the transaction. A monthly report of the total sales for each plant is submitted to the director of the engineering department. This report shows the trend and extent of salvage activities. A monthly report of transfers also is prepared.

Compared with actual dollars-and-cents returns, administrative costs of the plan have been fractional. They involve primarily the salary and expenses of the central salvage engineer,

plus a minor part of the time of the local engineering and accounting staff of each plant. Because the plan depends largely on the routing of forms through the central engineering department that are already an essential part of central office accounting practices, the burden of added paperwork is negligible. In

addition to easy administration, the plan has proved itself both highly profitable to the company and an invaluable aid to better production.

By H. E. NUTTING. *Factory Management and Maintenance*, June, 1946, p. 87:3.

Marketing Management

How Long Do Retail and Wholesale Establishments Tend to Survive?

WHAT are the postwar prospects of the retailer and wholesaler? In what lines of business are the chances of survival and success favorable? The Department of Commerce has recently completed a study designed to provide a better understanding of the chances of business survival by investigating the life history of the establishments that comprise our retail and wholesale distribution systems. For this purpose the statistics collected in the nationwide Census of Business during the years immediately prior to the war were analyzed.

A review of the age characteristics of establishments operating just prior to the war, as revealed by the census statistics, shows a direct relationship between age and size of establishments in both retail and wholesale trade. Older establishments in general had larger average sales than did the newer ones and though the largest number of establishments were in the early years of operation, the average period of operation for all ages of retail establish-

ments was 12 years and that of wholesale establishments 14 years. The data also indicated that stores in certain lines of business had consistently better-than-average survival experience, while in other lines the life span of stores was relatively short.

Age of establishments. In this analysis the age of an establishment was measured from the date of original establishment in the identical line of business and refers to the period during which the business operated, rather than the length of life under single ownership. Investigation of the life span of establishments operating in 1939, as thus defined, revealed that wholesale units had been in existence a little longer than retail stores, averaging 14 as compared with 12 years. In 1939, about one-half of the 1,770,355 retail units then in existence had been established nine or more years, and one-fourth had been in existence at least 17 years, namely from 1922 and earlier; one-half of the 200,573 wholesale establishments then in existence

had been in business 11 years or more.* The average age of retail stores in the various lines of business ranged from four years for liquor stores, obviously newcomers, to 21 years for hardware stores and general stores with food.

Geographically, the variation in age of retail stores was slight. The average age of stores was a little above the national average in the North Central, New England, and Middle Atlantic groups of states and below in the West, South Central, and Pacific groups—probably a reflection of the periods of development of the states themselves.

Manufacturers' sales branches (with stocks) had the longest average duration—18 years—for wholesale establishments classified by type of operation. Service and limited-function wholesalers, largely independent in ownership and comprising more than half the total wholesale units, had been in existence on the average 14 years—the same as the average age for all wholesale establishments. Wholesale agents and brokers had been established for the shortest average period—13 years.

Relationship of size to age. A comparison of the average annual sales of establishments showed that older firms, in general, had higher average sales than did newer ones. Though the greatest number of establishments were in the early years of operation, the largest average sales were accounted for by the stores with the longest duration of establishment.

The average share of sales of establishments which had been in business more than 10 years was more than that of new ones for both retail and wholesale trade. Specifically, the 42½ per cent of retail stores which had been in

business more than 10 years accounted for 58 per cent of the total sales in 1939; and the 51 per cent of wholesale establishments in business more than 10 years shared about 71 per cent of the total sales.

Giving further support to the conclusion that older places of business had higher sales, on the average, than did newer stores are the results obtained from analyzing the annual sales by age within individual trades. It was found that the average share of sales for new establishments, in the first and second years of operation, was relatively lowest in those trades with a high average age of all units.

Survival experience of stores in 1929 retail population. From the census data it was possible to estimate, year by year from 1929 to 1939, the number of surviving retail stores which had been in existence in 1929. A study of these data shows that the year-to-year survival ratio became progressively higher as the surviving stores grew older. The estimated yearly rate of decrease in number of 1929 operating stores—various ages—was highest in 1930, when 12.2 per cent were casualties, and lowest in 1939, when 2.9 per cent of the 1929 stores still active ceased operations.

The relatively high rate of decrease in the early years of the decade under review is traceable not only to the adverse economic conditions of those years but also to the fact that many of the stores were newly established. By 1934, however, the lowest possible age of stores which had survived out of the 1929 group was four years. The operating units which had survived might be considered the "fittest" and having endured for that length of time had greatly strengthened chances of continuing in business.

* Date of establishment was reported unknown by 132,099 retail and 34,089 wholesale establishments.

General Observations. The probabilities of survival and success in one kind of business as compared with another are difficult to estimate. In general, however, a high average age of stores suggests a longer life span for that trade, but it may also characterize a declining trade in which few new stores are entering. A relatively large share of total sales for new stores may point to better opportunities for new establishments in certain lines of business.

Comparison of the statistics for different kinds of retail business indicates that retail stores which sell the basic necessities in the form of food, clothing, drugs, hardware, and building materials, have experienced better chances of survival and longer life span than have the specialty stores which handle luxury goods. Certain marked exceptions and irregularities are apparent which may be interpreted to reflect consumer preference and trends prevailing in the pre-war period.

An analysis of the 1939 statistics for the various types of wholesale operations shows the agents' and brokers' classification with the greatest portion of new establishments, but the same group also had a relatively high proportion of sales for new establishments. Of all types of wholesale businesses, age makes the least difference in average sales per establishment in the case of assemblers, i.e., businesses operated by assemblers have the most nearly equal distribution of sales and establishments with regard to all age groups. The manufacturers' sales branches, with the highest average age of establishments, have a low percentage of new establishments and the new establishments in this group shared least favorably in the total sales.

Conclusion. It is only too apparent from the foregoing that the number of stores which discontinue business is ordinarily large, and new establishments are a major factor in this turnover. Further, it should be recognized that the kind of business which is to be undertaken has a decided bearing on the chance for survival and that sales volume—the ultimate prerequisite for success—is closely related to the length of time the establishment has been in operation.

Finally, the prospective business man should face the fact that sales volume during the first few years of operation is likely to be small. In 1939 the average sales per store for outlets up to one year of age were approximately \$7,000. For stores which had been in business 34 years or more, the average sales per store were \$49,000.

Two interpretations can be given these figures: First, to survive, the entrant must be prepared to undergo a rather extended initiation period before a large volume of business can be expected; second, only the relatively few new concerns which actually do achieve a volume of business considerably higher than the average for all new concerns survive. The practice of chain organizations in closing stores which do not live up to initial expectations is instructive on the latter point. It seems reasonable, however, that there is a measure of truth in both statements—the new business man should prepare for lean years while establishing his business and should also be apprehensive if the sales volume does not increase with age.

Economic (Small Business) Series No. 54, Bureau of Foreign and Domestic Commerce, U. S. Department of Commerce.

A Testing Program for Salesman Selection

A WELL-ROUNDED testing program for salesman selection, in operation at the Kendall Company, Boston, Mass., since 1940, has not only improved the company's score in recruiting competent sales personnel but has served as an invaluable guide in managing and developing sales manpower.

A variety of tests are used. The company's original battery included: a shortened form of the Otis Intelligence test, a shortened Strong Vocational test, selected Bernreuter personality questions, plus a general "business background" questionnaire and a "sales sense" questionnaire.

These tests were tried at first on 15 men—five of the best, five average, and five of the poorest salesmen in the company. To determine the validity of these tests, three top executives who knew the salesmen very well ranked them on the standards of volume (sales productivity), operating performance and cooperativeness. After the men were re-ranked on the basis of test reports, the correlation between the two methods was found to be 86 per cent. The entire sales force was then tested and the results again showed a satisfactorily high correlation to personal ratings.

The Moss Social Intelligence test was subsequently added, and then the full Otis Mental Ability Test Number Two, the full Strong Vocational Interest tests, and the complete Bernreuter Personality Inventory. A year later the Washburne Social Adjustment Inventory was added. These five, plus the Canfield Sales Sense questionnaire, make up the battery that has been used routinely for the past three years.

Early in the company's experiences with testing two important conclusions were reached: First, no definite picture of a candidate's abilities, intelligence, social attitudes, etc., can be obtained through the use of one or two tests. For this reason the battery of tests just described was evolved. Second, the management believes that best results are obtained from the use of standard, time-validated tests that any accredited psychologist can score.

After the results of tests are known, Kendall has "psychological portraits" or psychograms drawn up for each candidate. These are simply graphs on which are drawn the ratings achieved on the various tests. Ratings cover such factors as mental ability, tact and diplomacy, self-sufficiency, sense of humor, dominance, self-confidence.

In analyzing individual psychograms it is borne in mind that an extraordinarily high rating on certain characteristics can be as undesirable, so far as the company's interests are concerned, as a below-average score. For instance, a man can be so dominating as to be domineering; he can be so self-confident that he impresses others as being conceited. Likewise, a man can be so stable that he is cold, phlegmatic, untrainable, and unwilling to take suggestions from management. In making such analyses, the company takes all deviations into consideration and examines the entire pattern—since, after all, it is the total pattern that is important—not any one particular characteristic of a man.

As a quick screening device for evaluating psychograms the company has prepared a transparent overlay that bears the psychograms of the

norms of the most successful salesmen and the poorest salesmen. By superimposing this over the individual psychogram, interviewers get a quick picture which shows, roughly, whether the applicant is "on the beam" or not.

In addition to representing an effective selection tool, the testing program has enabled the company to tailor its training procedure to meet the needs of incoming salesmen, as specifically indicated by the results of tests. After training, the testing data and "psychological portraits" for each man are passed along to district managers who find them constructive aids in supervision.

Aptitude tests, by their very nature, are most helpful in identifying capable men—men who may be lacking in

experience or training for a specific job, but who have potentialities and capacities for learning rapidly the specialized requirements of the job. It must be borne in mind, however, that tests are never infallible; they cannot be used independently of other selection techniques. Where they have been employed in conjunction with skilled interviewing together with adequate research into the applicant's employment, educational, and social history, however, their contribution toward building a top-notch sales staff has unquestionably been a significant one.

From an address by S. D. Chamberlain before The New York Chapter of The Society for the Advancement of Management.

Avoiding the Hazards of Consumer Contests

SINCE most consumer contests involve use of the mails, any company planning a contest should know the special postal regulations governing contests as well as state and federal laws applying to all advertising.

It is usually wise to submit details of a proposed contest to the local postmaster in advance to make sure that no regulations are violated. The following conditions must be observed before material relating to contests is admissible to the mails:

1. Closing date of the contest must be announced at the outset. No change in the date is permissible after the contest is advertised.
2. At the outset of the contest, prizes must be fully described and listed in the order in which they are to be awarded.
3. Contests must be carried out in accordance with a definite schedule announced at the outset. Postal fraud and lottery statutes prohibit changes in the

original schedule, such as bonus offers, extra votes and prizes.

4. To permit contestants to know exactly what they are entitled to throughout the entire contest, conditions covering each period of the contest should be published in one sheet. A voting schedule covering the entire period of the contest should be sent out, if votes are a factor in the contest.

5. Provision must be made that in the event of a tie duplicate prizes will be awarded to all tying contestants. Duplicate prizes must be *identical* with the ones advertised.

6. In voting contests, standing of contestants must be announced at frequent intervals.

7. All elements of chance must be eliminated. If chance enters into distribution of prizes, the contest is a lottery.

8. Rules of the contest must be specific.

Rules of most contests go beyond legal regulations and provide all the information needed for entry. Contest rules should include this information:

closing date, provision for ties, entry requirements, where to send entry, who is eligible, list of prizes, exact order in which prizes will be awarded, how entries will be judged, who will judge them, how winners will be announced.

Usually rules also specify that the decision of the judges will be final, that entries will become the property of the sponsoring company and none will be returned. Some additional rules state that neatness, spelling, and grammar don't count, that style in writing is not a factor in judging, that official entry blanks must be used, and that each entry must be original with the contestant. Entrants are often warned that entries without sufficient postage will not be accepted. If inclusion of labels, box tops, or facsimiles of either is a condition of entry, contest rules should include that information.

Most rules are designed to forestall any criticism that might arise over handling of the contest, especially in determining the winners. Because a firm's reputation for integrity depends on selection of the winners, great care must be taken in judging entries. Many companies use professional contest organizations which handle all mailing details and offer an unbiased and efficient judging staff.

A common practice in contests requiring judges with specialized knowledge is to use a committee of outside experts. Even in such cases, especially in contests drawing thousands of entries, contest organizations may handle preliminary judging and turn over eligible entries to the experts for final decision. Still other companies have used men within their organizations as judges without drawing more than the normal amount of mail from disgruntled losers and cranks. The number of letters from disgruntled losers

plus crank mail rarely exceeds 1 per cent of the total volume received.

Sponsors often try to anticipate possible questions and complaints by including a detailed statement on judges in the rules. The following are some typical statements:

Goodyear—Judging of manuscripts will be conducted with the cooperation of the Department of Agriculture of Ohio State University, and none of the judges will be connected with the Goodyear Tire & Rubber Co., Inc.

Pepsi-Cola—Prizes . . . will be awarded to the writers of the most apt, original, and interesting last lines in the opinion of the judges, The Reuben H. Donnelley Corp. Their decision will be final.

A great deal has been written on what to do about losers and what effect they have on a sponsor and his product. Apparently there is little that can be done about this. Each contestant feels that his entry is a possible winner and is bound to feel a little disappointment and resentment when he doesn't win. But most advertisers are convinced that the ill-will among losers can be disregarded since the letters of complaint are extremely few compared with the total entries received.

Another method of handling complaints is to sponsor no-loser contests. Although this type is especially adaptable to small competitions, sponsors of large contests have been successful in seeing that everybody won something. Even a slight reward, such as a picture postcard, will tend to minimize harmful resentment.

An additional way to cut down loser dissatisfaction is to offer a large list of prizes. Such a list is supposed to make everyone feel that he has at least a chance of winning, and it cuts down the actual number of losers. Anything that will serve to prove that the contest was conducted fairly and squarely, like publication of the names of judges

or a list of winners, will tend to reduce ill-will.

Another bugaboo of contest sponsors is the professional contestant. Any person who enters many contests and concentrates on winning prizes rather than becoming interested in the product is usually labeled a professional. These contestants are frowned on by sponsors because they don't represent the typical consumer. However, they must be treated as ordinary contestants, for any discrimination against them might result in fraud charges.

Despite much discussion, the professional is not a serious problem. Certain merchandise prizes will often discourage professionals since most of

them prefer cash. The names of top professionals are well known to contest sponsors, and they rarely attempt to enter under fictitious names since they know that major winners are always investigated to make certain they are not employees of the sponsoring company or its advertising agency. Entering contests under the names of friends has drawbacks. During the 1930's many such arrangements led to court battles when large prizes were involved, the friendly agreement dissolving in a wrangle over the prize money.

Printers' Ink, August 23, 1946, p. 42: 2.

Cost of Living by Cities

A RECENT tabulation of living costs in various parts of the country, published by the Rotary International, may be found helpful in adjusting salesmen's expenses. The following figures cover the year ending July, 1945:

	<i>Annual Cost</i>
New York	\$1,954
San Francisco	1,931
Washington, D. C.	1,912
Chicago	1,858
Detroit	1,856
Cleveland	1,823
Boston	1,815
Pittsburgh	1,806
Seattle	1,786
St. Louis	1,767
Baltimore	1,754
Minneapolis	1,752
Cincinnati	1,749
Philadelphia	1,732
Los Angeles	1,719
Birmingham	1,716
Buffalo	1,669
Denver	1,659
Houston	1,635
Kansas City, Mo.	1,618

—Dartnell News Letter 4/6/46

AMA WINTER MARKETING CONFERENCE

A Conference of the Marketing Division of the American Management Association will be held on Thursday and Friday, January 9 and 10, 1947, at the Hotel Commodore, New York City.

30 Ways to Stimulate Retail Sales

WHILE sales stimulation may not seem particularly timely today, it will loom large on the business horizon again in the not-too-distant future. Business would do well to think about and prepare for this period.

The tabulation offered here does not pretend to contain any innovations. It simply offers a check list for consideration.

1. *Coupon good for redemption.* Such a coupon may appear in an advertisement and be good for 10 cents when applied to the purchase of a product. It may be a coupon or certificate mailed to a preferred list of prospective customers. It may take any one of many other similar forms which in effect involve a price concession.

In other cases no price cut may be contemplated. A certificate may be mailed to a prospect list which entitles them to get a certain product at a certain price. People hate to throw away anything that seems of value.

2. *Local prize contests.* May take many forms. Object: to bring a lot of people into the store. Some will buy, even though no purchase is necessary to enter the contest. Take the familiar guessing contest. Window is filled with heap of empty cartons, packages, or merchandise itself. Passersby are invited to get entry blanks on which they will record their guess as to number of items in window. Many who come in make purchases.

3. *Price concession sale.* Anywhere from a One-Cent Sale (two packages for cost of one plus one cent) to one package free with 10 or a dozen.

4. *Stunts.* Three retailers in a medium-size city bought out three days' supply of tickets to a local movie

theater. Newspaper ads announced that any person carrying certain products bought from these retailers would be admitted free to the cinema during the three-day period. Result: rush business and packed theater.

5. *Combination sale.* Not necessarily a cut-price sale. Tobacco manufacturer gets dealer to make up combination sales of three items including his own. Window display features the combination at the regular combination price. But somehow it *sounds* special, and sales go up.

6. *Friend sells to friend.* One retailer who sold a fairly expensive household specialty made a new record a few years ago. To 100 women customers he mailed a letter which said in effect: "You know our product from daily use. Would you like to sell the idea of buying one to your friends? If, so, bring a friend to us. If we succeed in selling her, you will receive a 7 per cent commission on every sale."

7. *House-to-house canvassing.* Sales volume can be held up by getting dealers and their salesmen to go from house to house talking up the product.

8. *Limited period sale.* Price concession for one day, one week, one month.

9. *Quantity discount.* People look for better value. They get it in a larger package. Dealers are urged to display a larger-size package featuring more pounds for the dollar.

10. *Premium.* Sales may be boosted substantially by packing an inexpensive gift with the product.

11. *Mail goods to prospect.* In some cases goods may be mailed on approval with a stamped container for their re-

turn if the prospective customer does not want to keep them.

12. *Putting goods in on trial.* This can be worked out rather successfully by appliance dealers.

13. *Attractive exchange offer.* The bane of the automobile dealer—but there are other fields where a liberal allowance on used goods will leave an attractive profit for the retailer.

14. *Money-back offer.* Sometimes very effective in fields where it is not commonly employed. As an experiment, a food manufacturer featured a new 60¢ product with a money-back offer. Sales gained—300 per cent. No come-backs.

15. *Seeking new groups of customers.* A drive for special groups with whom the product sales may be weak.

16. *Sample free.* Sales will go up substantially when a small sample is given free with each purchase at the regular price.

17. *"Weeks."* Yes, they will work.

18. *Protect against deterioration.* By perfecting large containers so that product-deterioration is eliminated, the size of the average sale increases.

19. *Specials to groups.* Quantity discounts for clubs, fraternal organizations, schools, etc. Dealer says, "I can give you such and such a discount if your members buy a quantity at one time."

20. *Stockholders.* If they are numerous, they can help themselves by boosting the product with their friends.

21. *Credit to a preferred list.* Special credit or partial payment offered only to a preferred group.

22. *Home-town special sale.* News paper advertising featuring the "Home Town Sale" as a special event which will not be duplicated anywhere else in the country.

23. *Dealer's anniversary sale.* Window displays announcing a special arrangement with the manufacturer allowing a special on an item which has been carried in stock for exactly one, two, five, etc., years.

24. *Special offer to employees and dealer's clerks.* If these people are numerous, a special offer will dispose of substantial volume.

25. *Pre-season sale.* Special offer before opening of regular selling season.

26. *Miscellaneous sales.* Discontinued model sale, damaged goods sale, sale of "seconds," season-end sale, introductory sale, etc.

27. *Gift packages.* Special wrappings for various holidays; birthday gift package, anniversary package, etc. Useful in candy business, can be extended to other lines.

28. *Demonstrators.* People don't always understand or appreciate a product. A demonstrating crew may more than pay its way.

29. *Special sampling.* Where sampler is consumer on the spot and goods for sale are right there.

30. *Get employees to sell.* An employer may say to employees: "To keep all hands employed at present wages, we must maintain volume. For our mutual welfare we suggest that you talk about our goods to your friends in such a way that they buy."

BY PETER BRADSTREET. *Advertising & Selling*, September, 1946, p. 80:2.

Financial Management

Investment of Pension Funds

PENSION funds have the following characteristics:

1. Principal and income are both applied to the same purpose. If income is not earned at the anticipated rate, annual contributions must be increased.

2. Cash requirements may be determined in advance with reasonable accuracy. To keep the fund actuarially sound, it should be possible to convert investments into cash without loss of principal. It is not necessary, however, that the entire fund be immediately marketable even in the event of discontinuance of the plan. Lump-sum payments are not generally required, and the liquidation of a discontinued plan may extend over a considerable period.

3. The fund will increase in size rapidly during the first few years of its existence. The rate of growth will then start decreasing slowly but steadily until the fund reaches relative stability, 30 or 50 years after the company itself stops growing. Annual cash contributions during the early period of growth provide more than sufficient funds for annual cash payments. The excess is then invested in accordance with the terms of the trust agreement.

The provisions of the trust agreement govern the investment of pension funds. Investments may be entirely unrestricted or they may be restricted, for instance, to:

1. Securities legal for savings banks and trust funds. In New York the law strictly limits the investments by a trustee to United States Governments; certain state and municipal securities; a

number of railroad and public utility bonds; a handful of industrial bonds; and mortgages on real estate, made under specified conditions. The bonds included in this list are of the highest quality and would yield at the present time an average return close to $2\frac{1}{2}$ per cent.

2. Securities legal for life insurance companies. In the state of New York this would make available a considerably larger list of bonds averaging perhaps somewhat more than $2\frac{1}{2}$ per cent, as well as a number of good quality preferred stocks now yielding from $3\frac{1}{4}$ per cent to $3\frac{1}{2}$ per cent.

3. Securities specified by the company in the trust agreement. Some companies go so far as to restrict their trustees to the purchase of United States Government securities.

As has been indicated, the trustee should attempt to obtain an average rate of return which is at least as great as the rate used in the actuarial computations. If that is not done, the company must eventually put in enough additional cash to make up the difference. If over a period of years the trustee is not able to invest the money at a rate equal to that used in the actuarial computations, new calculations should be made at a lower rate. In most instances actuaries are basing their current computations on a rate of $2\frac{1}{2}$ per cent.

Interest rates have declined for some years and are now at unusually low levels. While this declining trend has apparently run its course, few believe that any material increase can be expected soon.

A pension trust fund, however, is in an excellent position to take advantage of any change in rates, since it constantly has new cash and proceeds from maturities to invest. For example, if a new trust were started at the present time and the excess cash should be used year after year simply to purchase long-term bonds, the fund would eventually consist of spaced maturities with bonds coming due regularly for reinvestment. The average return on the trust fund would, after a time, reflect any improvement in interest rates which might occur because the trustee

would be making new purchases each year at higher yields than those now prevailing.

During the life of the fund, the actuary, in order to determine the actuarial soundness of the plan, would carry all bonds at their amortized values. Market fluctuations accordingly would not affect the computations of the actuary.

Where investment in preferred stocks is permitted, advantage could be taken from time to time during the life of the fund of opportunities to make purchases at favorable levels.

Central Hanover Pension Bulletin, September, 1946.

Getting Business Facts to Workers

BEFORE any management can attempt to convey business fundamentals to workers, it must have a sound personnel philosophy, progressive labor policies, and a genuine disposition to deal fairly with employees. Granted these prerequisites, the first step in formulating an employee education program is to determine *what* facts must be presented to workers to: (a) promote better employee-management relations; and (b) equip them to counteract effectively misapprehensions about the company held by the general public. Some of these facts will vary with the firm, but the following basic ones apply almost universally:

1. *Financial facts*—profits, role of stockholders and invested capital in business, reserves, taxes, financing.

2. *Operating facts*—effect of wages and raw product costs on prices and profits, importance of controlling expense, necessity of high productivity per worker, importance of volume in manufacturing and distributing operations, effect of waste on costs.

3. *Public relations information*—company operations and policies, importance

of quality and service in holding customer good will and patronage.

4. *Economic facts*—relation of company operations to the economy in which the business operates. This might include the influence of consumer purchasing power on sales, wage trends in other industries, development of competitive products and its effect on company operations, role of advertising in expanding employment, etc.

Just as vital as the *what* in your educational program is the *how*. Though there is no five-minute course in the proper use of techniques, the policy of communicating with employees can be summed up in this triple-S recipe: Be simple, Be short, Be sincere.

To make your program effective, start with the upper echelons of management. Men at this level may know the principles of business operation but often do not know the details and, even more frequently, do not know how to present facts to employees in an interesting or clear manner.

The following media for getting the facts across, employed successfully by the Borden Company, might provide ideas for your organization:

Information is beamed to management from the top down by: (1) A monthly memo presenting reports of company operations, product information, accounts of situations involving company interests. It is semi-confidential, release of information being at the discretion of individual readers. (2) A memo which describes successful public relations work within the firm and in related fields, analyzes trends of public opinion, and provides information that aids in training employees in public relations.

Following are methods used to convey information directly to employees:

1. *Conferences.* Illustrative of this is a meeting held in a large operating unit which had just signed its first union contract. Both management and employees were unaccustomed to working together under such an arrangement, and there was considerable mistrust and misunderstanding on both sides. Present at the conference were company foremen, union stewards, and the president of the unit. A two-hour meeting had been planned; it ran seven hours. Management didn't duck a question but answered every one—in detail. We found employees had some wild ideas about the business and put them straight. We learned from them much that was put to use to improve employee relations and operating practice. The conference was so successful that we prepared a full set of the minutes which covered every point where employee misunderstanding existed and served to prevent any misinterpretation of the information management had given orally.

2. *Speeches.* Here we found that posters, charts, etc., can heighten employee interest. For example, we used a chart to show partnership of employees and owners, supplementing it

with statistics on the number of residents of the community who held stock in the company, an estimate of the shares held, the dividends paid, and the fact that they went into local purchasing power.

3. *Payroll Inserts.* This pamphlet series explained the effect of high unit wages on prices of company products, and of higher prices on our sales and, consequently, on employment. It also kept employees posted on company policy in connection with current developments, such as legislation affecting the business.

4. *House Organ.* Discusses the worker and his problems—in his language. Integrity must be its keynote, for once a shading of fact creeps in, it is suspect. Its editor has the many-sided problem of reporting, editing, and finding a meeting-ground for employee and company interests. Above all, he must have an editorial integrity that will let no group—whether at management or worker level—grind axes in his publication. Since he must handle much material that should originate at the policy-making level, he should be either a top company man or directly responsible to one.

Handled by a former AP editor, our House Organ News Service channels news about the company's over-all activities to organs of all operating units to give employees a picture of the work of divisions other than their own. Use of this material is regulated by local management policy and the local editors' judgment.

5. *Letters or Memoranda.* Have an important job to do and should be prepared as carefully as printed matter. If used to cover matter having legal implications, it is well to secure a competent public relations man to develop a clear, simple, sincere message that will meet legal requirements—so that

clarity will not be sacrificed to provide legal protection for the firm.

We often recommend that letters and other suitable material be directed to the employee's home and not distributed at the plant. His family may have a stake in the matter discussed, or it may be desirable to have it considered in the quiet of the home.

6. *Handbook.* Acquaints the new worker with his duties and with some of the fundamental facts of his industry and company. Keep it up to date. Don't print one in 1946 in a quantity that will last until 1956. Changing trends, new problems, etc., will out-date it.

7. *Publicity.* Though we try, where desirable, to inform employees about new products, etc., before the press announcement of them, items in newspapers or trade publications—being distributed by a third party, the publication—have the advantage of being less likely to be regarded as propaganda.

8. *Advertisements.* Though beamed to the general public, these may also do an indirect employee relations job and get basic economic facts across to employees. As ads are prepared, keep employee interests in mind.

9. *Films.* Offer the advantage of dramatic presentation, but, as a rule, their cost prohibits their use in small organizations.

10. *Leaflets.* Monthly leaflets are distributed by our route salesmen, giving customers a popular exposition of the industry viewpoint on some misunderstood points about the business. The salesmen received a good education in the economics of the industry, when—to secure their cooperation—we explained the reason for the leaflets and, with the aid of simple slides illustrated by pages from the leaflets, discussed with them the points raised.

11. *Annual Report.* Addressed to

both employees and stockholders, this prevents our employees from getting a distorted picture of our profits from other sources. We tell them the whole story—that sales boomed under the impetus of the war years; that net profits increased but that the percentage of profit compared to sales was one of the lowest in company history; that payments to producers have risen; that costs and expenses have increased sharply; that payments to employees have mounted and taxes pyramided as a result of the war. We show the cost of taxes per share of stock; discuss planned expenditures to improve plants and thus better our employees' working conditions; explain that a majority of our stockholders are people with small incomes; discuss the economics of subsidies and how they affect our business and prices. We show where the sales dollar went and present a simplified balance sheet that summarizes our financial position. We mention the research we're doing to keep our company out in front; show that we recognize our social responsibilities; tell how our decentralized operating plan fits into community activities. We show that by placing our operations under home town management and buying where we sell, we add to the income of the communities in which we sell.

12. *A Picture of Top Management.* To bring about more sympathetic employee relationship with company owners and management, we recently prepared a book that we believed employees couldn't resist reading—*Borden's Brass Hats*. It shows our top men rising from the ranks, shows them with interests not unlike those of employees, shows them as flesh-and-blood people—not the cold abstracts hitherto known only through signatures on inter-company memoranda. While this does not present business facts, it does

cover an element that contributes to the success of other efforts.

In conclusion, here are the prime factors to remember in presenting business fundamentals and facts to employees: Discuss matters freely and frankly. Be informal. Talk in terms of employee interests. Be accurate. Be interesting. If you don't, your presentation may hit the wastebasket.

Remember that business can be dramatized—even made exciting. Remember that your many other publics are looking over your shoulder—that information provided primarily for the employee family may frequently be relayed to a much wider public.

From an address by Milton Fairman before the Personnel Association of Toronto.

A Flexible Profit-Sharing Agreement

PROVISIONS for a unique profit-sharing plan—unique because the union balances it with an agreement to approve wage reductions in bad years—have been written into a new contract between the South Atlantic Gas Co. and the International Union of Operating Engineers (AFL), which has in its membership operating employees of the company in Savannah, Ga., and St. Augustine and Orlando, Fla.

Proposed by the company president, the profit-sharing provision is not a binding commitment but is an expression of mutual confidence and intent. The company agrees to "seek approval of directors and stockholders to (make) fair and substantial distributions" for bonus payments in years where earnings are above a normally expected level of return on capital. In turn, the union agrees to use "full influence" in bad years, or when the company's ability to pay dividends is seriously threatened or impaired, to persuade employees to accept such reductions . . . as may fairly be asked by way of cooperation in any needed program of retrenchment.

This profit-sharing clause in the contract is of special significance because, as a public utility, South Atlantic Gas profits and operating costs must come under the scrutiny of the Georgia Public Service Commission. If profits are high—and presumably would then be the basis for bonus distributions to employees—it is the Commission's duty to consider reducing consumer rates. The Commission said that unless profits or operating costs (influenced by wage bonuses from high profits) rise to a level out of line with other utilities, it has no objection to South Atlantic Gas' new contract.

—Business Week 6/22/46

The Blind Spot in Employee Education

THOUGH employee understanding of corporate earnings and profits is almost completely lacking, business is doing relatively little to educate workers, according to a recent survey by *Public Relations News*. The study shows that more than 58 per cent of industrial executives believe fewer than 10 per cent of their employees have "a reasonably accurate understanding" of the subject. Only 7 per cent of those companies have ever made any study to determine the extent and cause of this ignorance. Of the firms that have made such studies, more than 20 per cent have done nothing to correct the misunderstandings they discovered.

Among the companies that have undertaken such educational campaigns, tools of education have been used in the following percentages:

Company publications	46
Annual or quarterly reports	42
Meetings with employees	36
Special memos	24
Labor-management committees	23
Community advertising	22
Direct mail	13
Posters	6
Radio	4
Movies	3

Greatest development this year has been in the use of community advertising and movies.

—Trusts and Estates 8/46

Insurance

Group Permanent Life Insurance for Retirement Plans

IN the past, many employers have wanted to provide, in addition to retirement income, benefits for the families of employees who died before retirement age, but have hesitated to buy individual life insurance policies for the employees because of the administrative difficulties, particularly for a group subject to high turnover. Some employers with this problem may find the answer in a new type of contract known as "group permanent insurance."

The premium rates for group permanent insurance are not subject to change for original participants. The contract is written on a level premium basis. Some life insurance companies will guarantee the original rate for participants who come into the plan within five years.

Generally a minimum of 50 employees is required. The plan may be worked out on a contributory or non-contributory basis.

The employer applies for a master contract and may choose any one of the usual types of insurance, such as ordinary life, endowment, deferred income, and paid up at 65. The contract, if retirement income is chosen, usually provides for a death benefit of 100 times the monthly pension. For example, if a participant is entitled to a monthly pension of \$100 at retirement and dies before retirement, at least \$10,000 would be payable to his beneficiary.

An employer may decide to use the ordinary life type of contract instead of the higher-cost retirement income

contract. This would provide the same death benefit of 100 times monthly pension. The difference in premium between the two types of contracts would be held in a trust to accumulate funds for the conversion to an annuity of a retiring employee's interest in the contract.

MAIN FEATURES OF PLAN

1. A medical examination is not required for anyone unless the amount of his life insurance exceeds a stated maximum, such as \$10,000. One insurance company estimates that, despite this limitation, 90 per cent of the employees of most corporations would be fully insured without medical examination.
2. Hazardous occupations can be covered with little extra cost to the employer.
3. The administration of the plan is flexible, because:
 - a. One master contract is issued and certificates are given to each participant. A new certificate is issued when an employee's salary is increased. No medical examination is required when additional insurance is applied for, if the total amount does not exceed the stated maximum.
 - b. Only one premium statement is sent to the employer each year.

The cost of this type of plan would be about the same as that of an individual policy plan. The increased ex-

pense to the life insurance company, due to the inclusion of participants who would otherwise not be insurable, should be offset by its savings in administrative costs.

OTHER FEATURES

Cash values are provided immediately upon issuance of the contract. They are available when an employee leaves or when the plan is terminated. At such times, an individual contract

may be applied for by the employee as of his original age at issue. This permits an employee who would have been uninsurable at the time he became a participant to continue his insurance after he leaves.

The usual options at death or retirement are available.

Central Hanover Pension Bulletin, October, 1946, p. 1:2.

Combination Pension Plans

A DECADE ago an employer who desired a funded pension plan usually selected one of the three basic types briefly defined below:

1. The "self-administered" plan, which involves establishment of a trust. The contributions are invested in securities by a trustee. Under the guidance of an actuary, pensions and other benefits are paid from the trust. Under this type of plan the cost of the benefits will reflect the actual experience of the covered employee group.

2. The "group annuity" plan, which introduces the services of a life insurance company to administer the investment of contributions and payment of benefits. The cost reflects the experience not only of the particular group under consideration but also that of all other employee groups handled by the insurance company.

3. The "insured pension trust," which calls for the creation of a trust as in No. 1, but the contributions are used by the trustee to purchase individual insurance-annuity contracts on the lives of participants. The cost of each contract purchased is fixed from the time of purchase to its maturity date at retirement and reflects the insurance company's experience with all its individual policyholders.

There is no need to draw a comparison of these three systems, but each system has special merit. Each can accomplish some things which the

others cannot. Recognizing this truth, modern pension planning attempts to present to the prospective buyer full, unprejudiced, and comparable information regarding all three basic systems, variations thereof, profit-sharing plans, and related subjects. The result of this procedure is the creation of many so-called "combination plans" in which two or more systems are combined in a manner which brings into use the best of each. A case or two will illustrate the principle of "combining."

In one case management desired to provide employees with substantial death benefits before retirement as well as pensions. Study revealed that turnover was heavy among lower-paid employees but almost nil in the higher-paid group. The desire for substantial death benefits before retirement might well have suggested the use of individual insurance-annuity contracts for all participants. However, heavy turnover among lower-paid employees indicated that such action would be costly because early cash values, recovered upon termination of employment, on such contracts are somewhat less than premiums.

The solution was a "combination" in which the lower-paid (turnover) group was covered by a self-administered plan under which cash recoveries due to early terminations are large; individual insurance annuities were used for the higher-paid group. Death benefits for the lower-paid group were adequately provided by a group life contract.

In another case the employer desired to provide pensions only—without death benefits. Annual costs had to be kept low. Here again it was found that the lower-paid group was far from permanent. As a matter of fact, no method could be found which would include in the plan only those low-paid employees who would likely remain to retirement age. Those earning above \$3,000 per year showed a record of normal persistency of employment.

A formal, but unfunded, plan was set up for the low-paid group. Since this was on a "pay-as-you-go" basis, it required contributions only as employees actually retired. For the higher-paid group, a "group annuity" contract pro-

viding no death benefits before retirement was purchased.

Obviously, dozens of combinations are possible. In some cases ordinary life policies are used in combination with a supplementary self-administered fund in such a way that the trustee uses the supplementary fund at retirement to convert the ordinary life contract to a retirement income. In other cases past-service benefits are self-administered for economy and flexibility of funding, and future-service benefits are insured with individual insurance-annuity contracts. Occasionally the best solution is a pension plan at subsistence level supplemented by a profit-sharing trust.

Skill is required to design combination plans in a manner which avoids discrimination in favor of higher-paid groups. The employer's legal advisers should be consulted early so that law and regulations are given careful consideration.

Central Hanover Pension Bulletin,
September, 1946, p. 4:1.

Lung Lab Pays Off Quickly

FERRO MACHINE & FOUNDRY CO. spent upwards of \$20,000 to install a complete X-ray laboratory in its Cleveland plant so the company's physician could secure an accurate picture of each employee's lungs. The company estimates that the full cost of the laboratory equipment, plus the salary of the doctor, was recovered within two months by eliminating, in preemployment physical examinations, workers who have either tuberculosis or silicosis in some degree.

Silicosis has been classified by the Ohio Industrial Commission as an occupational disease among foundry workers. Therefore a foundry which reports a worker disabled because of silicosis finds itself, under Ohio's laws, paying the disabled employee not only \$24 per week for the rest of his life (averaging 2½ years), but also tagged with a \$7,500 death benefit to his estate.

Ferro's management reasoned that it was not only a humanitarian act to keep workers susceptible to silicosis out of the plant but good business as well. And, by screening out men with weak or diseased lungs, perhaps this costly mortality cause could be eliminated from their foundry.

Installation of the free lung-testing for all workers was warmly welcomed by employees and union officials.

—*Business Week* 7/20/46

Job Insurance Giant

TRANSITION from war to peace has left the nation with a roll of unemployment insurance cash sevenfold as fat as in prewar 1940. Totalling \$6.9 billion on September 1 last year, the huge reserve fund stood at \$6.7 billion at the end of July this year. According to a survey of unemployment insurance officials in the nation's capital and nine industrial states by *The Wall Street Journal*, the less-than-expected ripple of postwar unemployment that followed V-J Day—ranging from a March peak of 2.7 million to a current level around 2.2 million—hardly nicked the fund.

An anemic \$980 million in 1940, five years after passage of the Social Security Act, the fund fattened as plump war-plant payrolls were tapped for deductions. In 1941-42, money coming into the fund roughly quadrupled that doled out in benefit payments; 1943-44 receipts were 20 times benefit payments. Money paid out since September, 1945, has exceeded receipts, but benefit claims have slumped sharply in recent months and are still falling. Unemployment compensation rolls (not including G.I. 52-20 Club members), after hitting a postwar peak of 1,785,425 in March, had skidded to 968,000 by late August.

Should another depression occur such as the 1931-40 decade witnessed, with unemployed averaging slightly under 9 million, the fund would be hit from two directions. As out-payments rose, receipts would tumble. Some 58 million people are employed now, but one of every three—or some 20 million in all—would be lopped off if employment plummeted to the 1932-33 level of 38 million.

Barring a severe depression, however, the war-inflated fund seems destined to remain far out of proportion to demands upon it for unemployment benefit payments. At 1941's prewar annual benefit payment rate of 344 million, the fund apparently could pass out unemployment relief for 20 long years even though not another dime were brought into it by collections.

The survey further revealed that people do not remain on the benefit rolls when jobs are available and wages are at a satisfactory level; that there is now evident a trend on the part of employers to be more selective in hiring employees, which operates to the detriment of inexperienced, unskilled, and older workers; that veterans, on the whole, are not manifesting any tendency to loaf on unemployment insurance or readjustment benefits.

—*The Wall Street Journal* 9/10/46

Boiler Insurers Find Appetite for High Limits

BOILER insurers these days are in the remarkable position of trying to fend off business. They find that there is an appetite on the part of insureds for extremely high limits of direct damage cover, and these insureds very often insist on being protected for an amount that would constitute their maximum conceivable loss under the most remote circumstances.

The underwriters are being careful to recommend that agents and brokers point out the loss probabilities to the insureds and make certain that it is the insureds' unreserved desire to have such limits. The fear is that when money conditions become less easy and insureds again measure their premium outlay cautiously, some competitor may come along and tell an assured that he is being imposed upon in his boiler coverage, that he is paying a premium on far greater amounts than could be lost in an explosion or other accident.

The number of boiler losses exceeding \$50,000 is extremely few, and insurers feel that they would be subject to criticism if they should automatically fill orders for a half million or one million dollars or more of direct property damage cover without explaining the loss probabilities to the insureds. However, even when this is done, many insureds ask whether it is not conceivable that they could sustain a loss equal to the maximum coverage they desire. Usually the answer has to be that such a contingency is "conceivable," and the insured more often than not then replies that he wants the utmost in protection and gives orders to "write me up." The premium cost seems to be of little or no concern.

—*The National Underwriter* 8/15/46

Survey of Books for Executives

POSTWAR TAXATION AND ECONOMIC PROGRESS. By Harold M. Groves. McGraw-Hill Book Company, Inc., New York, 1946. 432 pages. \$4.50.

*Reviewed by Edward H. McDermott**

This volume is the tenth report in a series of research studies on postwar problems sponsored by the Committee for Economic Development. It is the second by Professor Groves dealing with taxation. The general objective of the series is to study policies tending toward high standards of living through maximum employment and high productivity in the domestic economy.

The by-laws of the Committee provide that all research shall be objective in character and directed toward the general welfare as distinguished from that of any special political or economic group. These requirements are highly essential to any worth-while study of taxation. They are well satisfied by Professor Groves in this volume. On that score, a glance at the conclusions in Chapter XIV is convincing.

The worth of the book in stimulating public thought and discussion of postwar taxation is evident. Another function is to aid the Committee in formulating its recommendations as to national policy for the problems examined. Professor Groves' qualifications for undertaking this research are well known.

A choice had to be made between concentrating on the special tax problems peculiar to the transition period and upon a longer-term tax program for years ahead. The latter objective has been selected.

High tax rates, whatever else their consequences, tend to stimulate public discussion. It becomes important for all concerned to learn the whys and wherefores of taxes. And so we have, as a worth-while companion to excellent tax studies by others in recent years, this book on taxation as bearing on economic progress. The reviewer is reminded of an occasion in the late '20's when several hundred tax questionnaires sent by a congressional tax committee to business organizations elicited almost no worth-while replies. Now business is prepared to spend time and money on the inevitable topic. This is all to the good.

The first three chapters lead through the familiar problem of "double taxation" of

corporate earnings and, in that connection, such concomitant questions as an undistributed profits tax, the taxing of stockholders on corporate incomes as though they were partners, the deferment of tax on corporate accumulations until realized by stockholders as capital gains, and the taxing of corporation incomes only as a withholding tax on dividends and an advance payment on undistributed income. Professor Groves believes the last mentioned alternative, largely stemming from British experience, coupled with improved taxation of capital gains, will integrate satisfactorily the corporate and personal levies. He would apply the partnership method to some cases of unnecessary retentions of corporate profit.

The author rightly rejects the excess profits tax as a permanent peacetime tax measure.

Pending more effective non-tax means of controlling monopoly where it exists, he advocates an intercorporate dividend tax. He favors some tax concessions to small business. On the monopoly problem, he injects the realistic warning that we need to know more about "monopoly" and to define more clearly a national policy in that regard before adopting definitive tax measures to deal with it.

The author would retain net income as the basis of corporate taxation, discard the capital stock tax, reject multibase business taxation and also a business tax on unincorporated business. He offers an interesting discussion of the taxation of cooperatives and publicly owned utilities, issues likely to be in the legislative forefront during 1947.

Among "technical" tax problems mostly of interest to corporations, the discussion includes business losses and carry-overs, inventory problems, depreciation, obsolescence and depletion.

Concerning the personal income tax, Professor Groves favors a broad base, remarking (p. 166) that "a reasonably close connection between voting for budgets and paying for them is definitely in the public interest." He would modify some of the deductions and credits. The curve of his proposed surtax rates is more gentle than that now in effect but higher, of course, than prewar. He would end the tax exempt feature of bonds, with some compensation, if necessary. Capital gains, he believes, should be taxed under a moderated regular rate schedule favorable to enterprise and with adequate

* McDermott, Will & Emory, Chicago, Ill.

recognition of losses, as ordinary income. He would tax theretofore unrealized gains and losses as being "realized" for tax purposes at death. There is a good discussion of the taxing of irregular income, based on a system of carry-overs and averaging.

In the field of death and gift taxation, Professor Groves favors integration of the two levies, the closing of certain "loopholes" and abuses, reduction of the existing \$60,000 exemption, and the granting of exemptions on the basis of relationship of the beneficiary to the deceased.

He does not favor excises on consumption. He thinks most incentive taxation "gadgets" are over-rated and unnecessary.

These are some of the highlights of a competent, well-timed study. One feels the author is at his best when dealing with specific adjustments to the present system of taxation. The broader the policy under discussion, the less certain one feels of ultimate conclusions. All this, of course, is to be expected and no doubt is inevitable. Among the broader taxation policies clamoring for acceptance, few are new and none is wholly good or wholly bad. Almost all of them require the weighing of complicated and often obscure consequences, direct and indirect. Groupings of taxpayers, sources of income, and conditions of operation are so diverse that useful generalizations are extraordinarily difficult. What is fair to a small corporation closely held might not be very fair to a larger one or even to another small corporation differently owned or in a different type of activity. On balance, it is clear that students of taxation and the business community responsible for production owe much to Professor Groves and to the Committee for the careful work and objective proposals advanced in these pages.

BUILDING A SALES TRAINING PLAN. By Edward J. Hegarty. McGraw-Hill Book Company, Inc., New York, 1945. 198 pages. \$2.00.

*Reviewed by Burton Bigelow**

Realistically, this book opens and closes by accepting the premise, "My business is different." From that point the author presents 12 fundamentals or principles to be used as guideposts in building a sales training program or revising an existing program. These fundamentals are treated concisely in separate chapters, each of which closes with an action summary.

As pointed out by the author, anyone who has done any sales training will recognize

among the fundamentals, principles, and formulae some that he has applied in his own work. That is natural when the experience of "a number of friends, *journeymen workmen* in sales training, members of the National Society of Sales Training Executives" is assembled in one volume. The resulting compilation thus becomes of value not only to the man who has done sales training but even more so to the sales executive who heretofore has not given the subject serious attention.

The 34 chapters cover in full the points to be considered in developing a sales training program—or revising a program currently in use. The reader is led, step by step, through each of the 12 fundamentals, and in the process the points most frequently neglected in building sales training programs are highlighted. The importance of making a job analysis, of deciding what it is desired that the salesman shall do, is stressed in several of the chapters. Likewise the tie-in of the field sales force, both supervisors and salesmen, is given the important place it deserves.

An entire chapter is devoted to the development of a step-by-step sales formula and gives 22 examples of such formulae as devised by sales training executives. The fact that the sale of the great majority of products and services can be set up as "pattern sales" is not too well recognized among sales executives, and if the reader gets nothing more than this out of his perusal of the book he will be well repaid for the time spent.

Mr. Hegarty rightly counsels against the use of "old" salesmen in training new men, and gives his reasons for opposing this practice. But he recognizes that it sometimes is impossible to avoid this, and in such a situation he recommends that the men selected to act as salesmen-trainers be checked as to their attitude, work habits, and knowledge and, if acceptable, that they be trained in training techniques. There can be no disagreement with this recommendation.

The importance of, and the need for, training the trainers, where sales training cannot be given at one point, is emphasized in nine chapters of the book. Each chapter is devoted to a specific aspect of this phase of the training job, and most of these close with an action summary.

Other chapters cover the need for an audit of results of training, the importance of the follow-through in the application of the training, the use of bulletins in the sales training operation, and similar points which have a decided bearing on the over-all results of the training program.

The book is written from the viewpoint of the sales trainer, and home office and field

* Burton Bigelow Organization, New York, N. Y.

sales executives are tied in at each step in the planning, development, and execution of the sales training program. In this respect, Mr. Hegarty has gone "all out" in his recommendations. While sales executives generally will agree with him in principle, in actual practice they will not be able to participate to the full extent recommended. However, they are placed on notice that

their cooperation is desirable and that the final responsibility for sales training rests with the sales executive, which is as it should be.

Building a Sales Training Plan is a worthy addition to the bibliography of sales training in American industry, and it is recommended reading for sales executives and sales trainers, both home office and field.

Every Third Car Held Defective

APPROXIMATELY one out of every three cars on the nation's streets and highways is being operated with dangerous mechanical defects which are placing thousands of lives in jeopardy, according to a traffic safety check conducted by the International Association of Chiefs of Police. This fact gives automobile insurance underwriters a difficult selection job.

Of nearly 3,000,000 vehicles examined in 46 states, the District of Columbia, Honolulu, T. H., and the nine Canadian provinces, 32.3 per cent—nearly one-third—had obvious hazardous defects. Faulty lights, both front and rear, accounted for approximately half the total defects reported by type, and inadequate brakes were the next commonest type.

A total of 2,860,346 vehicle checks—primarily of vehicles involved in traffic violations or accidents—were made. Of this number, 922,775 had one or more defects. The total number of defects reported by type was 1,231,161—almost one dangerous defect for every two cars examined.

—The Weekly Underwriter 8/10/46

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933. OF THE MANAGEMENT REVIEW, published monthly at New York, N. Y., for October 1, 1946.

State of New York } ss.
County of New York }

Before me, a Notary Public in and for the State and county aforesaid, personally appeared James O. Rice, who, having been duly sworn according to law, deposes and says that he is the Editor of THE MANAGEMENT REVIEW and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, American Management Association, 330 West 42nd Street, New York 18, N. Y.; Editor, James O. Rice, 330 West 42nd Street, New York 18, N. Y.; Managing Editor, M. J. Doohar, 330 West 42nd Street, New York 18, N. Y.; Business Manager, Alvin E. Dodd, 330 West 42nd Street, New York 18, N. Y.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.) American Management Association, 330 West 42nd Street, New York 18, N. Y.; Alvin E. Dodd, President, 330 West 42nd Street, New York 18, N. Y.; James L. Madden, Treasurer, 1 Madison Avenue, New York 10, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

JAMES O. RICE, Editor.

Sworn to and subscribed before me this 16th day of September, 1946.

(Seal)

MURIEL GOLDSMITH, Notary Public.
(My commission expires March 30, 1948.)